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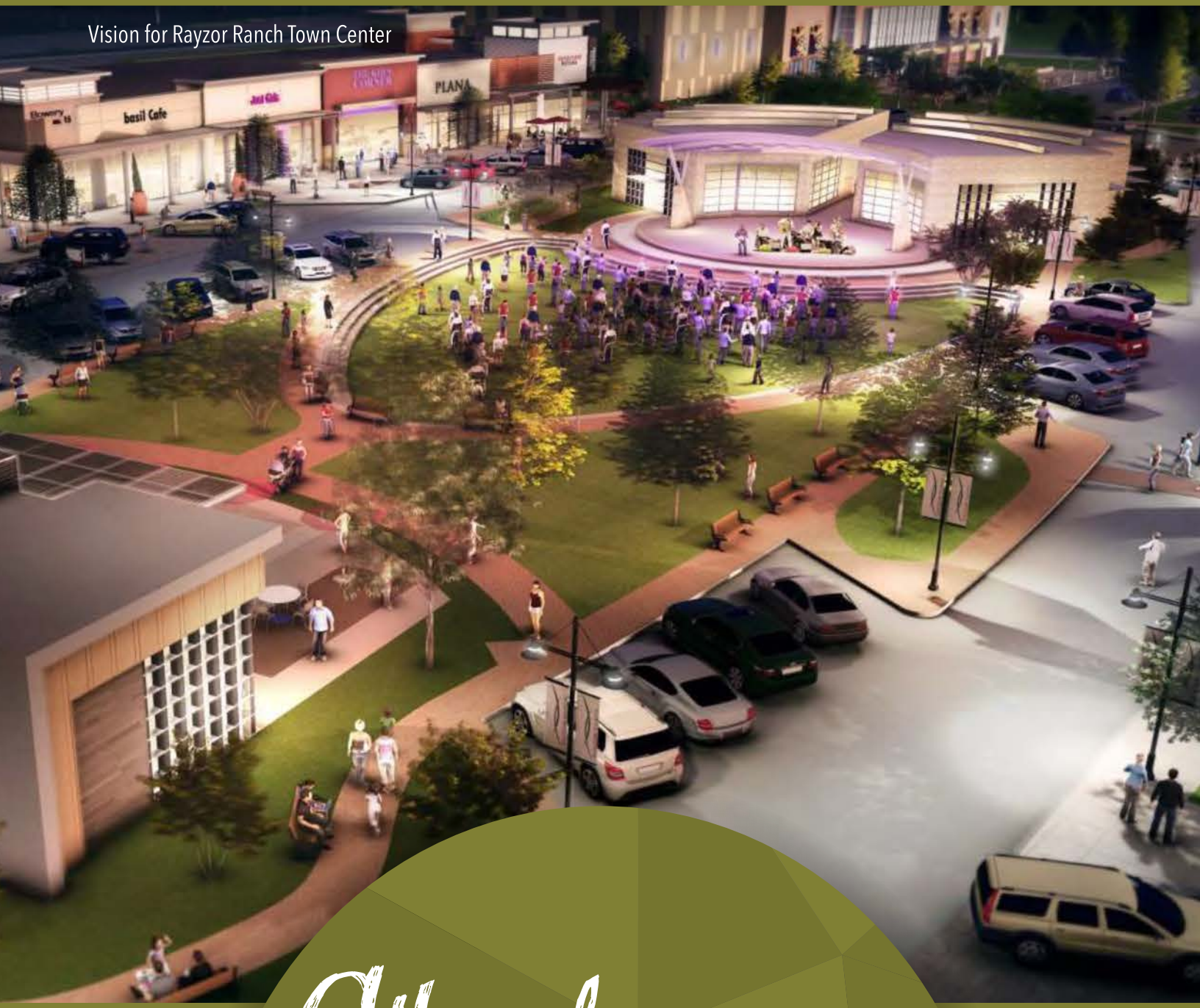
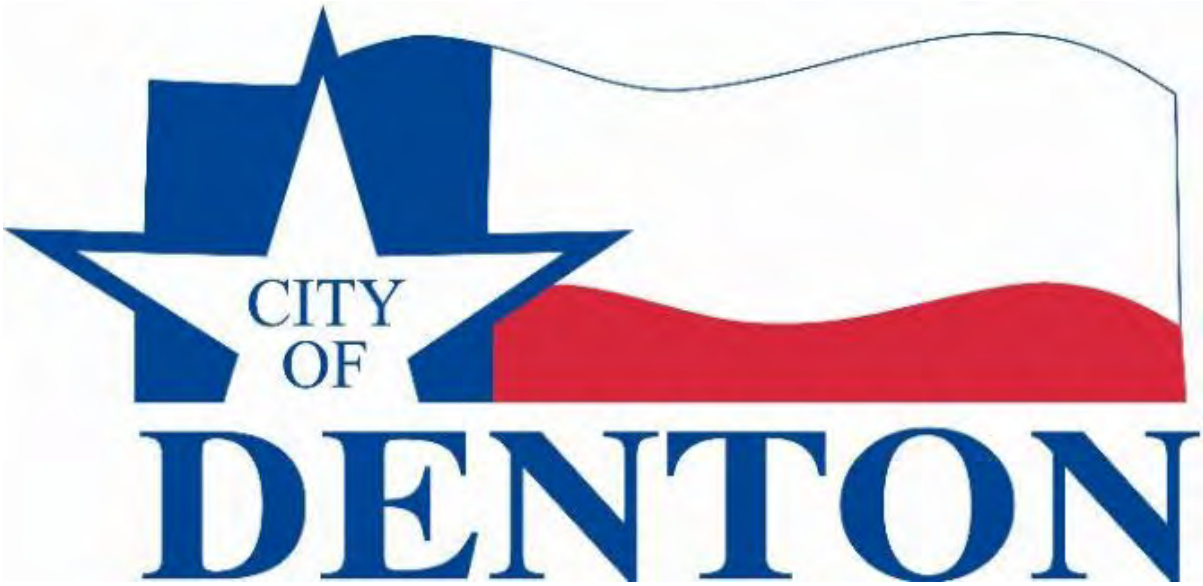
Comprehensive Annual Financial Report
Fiscal Year Ending September 30, 2017



Vision for Rayzor Ranch Town Center

City of Denton, Texas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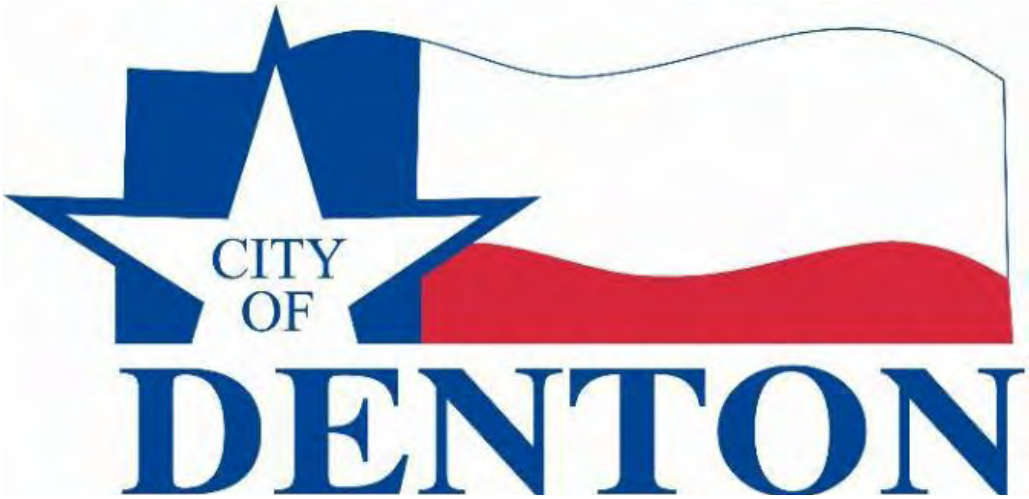

VISION

"Destination Denton"

Denton is an identifiable and memorable destination and a community of opportunities. We achieve this by providing high quality of life through excellence in education, entertainment, and employment; neighborhood vitality and sustainability; environmental and financial stewardship; and superior public facilities and services.

MISSION

"Dedicated to Quality Service"

The City of Denton will foster an environment that will deliver extraordinary quality service and products through stakeholder, peer group, and citizen collaboration; leadership and innovation; and sustainable and efficient use of resources.

VALUES

"We Care"

We care about our people, our community, and our work. We do this with integrity, respect, and fairness.

ToC

CORE VALUES

INTEGRITY

Making sure that with every decision we make, our actions match our values.

FISCAL RESPONSIBILITY

Ensuring that people can trust that we use public funds conscientiously, with the community's best interest in mind.

TRANSPARENCY

Building an environment of trust by interacting with others honestly as well as collecting and sharing clear and concise information.

OUTSTANDING CUSTOMER SERVICE

Employing a holistic approach to problem-solving and providing responsive service that goes above and beyond expectations.

ToC

CITY OF DENTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2017

CITY MANAGER

Todd Hileman

DEPUTY CITY MANAGER
AND CHIEF OPERATING OFFICER

Bryan Langley

Prepared by:

Antonio Puente, Jr.
Director of Finance

Harvey Jarvis
Controller

Kevin Ann Mullen, CPA
Assistant Controller

Cody Wood
Assistant Controller

Mary Dickinson
Electric Business Manager

Ed Lane, CPA
Senior Accountant

Kurt Breyfogle
Senior Accountant

Catherine Bai, CPA
Senior Accountant

Becky Buck, CPA
Senior Accountant

Cindy Liang, CPA
Accountant

Katy Magee, CPA
Accountant

Lori Allen
Accountant

Nancy Towle
Budget Manager

Caroline Finley
Treasury Administrator

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City of Denton, Texas
Comprehensive Annual Financial Report
For Year Ended September 30, 2017

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION (UNAUDITED):
- Transmittal Letter i
- Organizational Chart viii
- Certificate of Achievement ix
- List of Principal Officials x

FINANCIAL SECTION:
- Independent Auditor's Report 1
- Management's Discussion and Analysis 5
- Basic Financial Statements:
  - Government-wide Financial Statements:
    - Statement of Net Position 15
    - Statement of Activities 16
  - Fund Financial Statements:
    - Governmental Fund Financial Statements:
      - Balance Sheet 18
      - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 19
      - Statement of Revenues, Expenditures and Changes in Fund Balances 20
      - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 21
      - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual General Fund 23
    - Proprietary Fund Financial Statements:
      - Statement of Net Position 24
      - Statement of Revenues, Expenses and Changes in Fund Net Position 28
      - Statement of Cash Flows 30
    - Agency Fund Financial Statements:
      - Statement of Assets and Liabilities 32
  - Notes to Basic Financial Statements 33
- Required Supplementary Information:
  - Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System – Last Fiscal Year 79
  - Schedule of Changes in Net Pension Liability and Related Ratios – Denton Firemen's Relief and Retirement Fund – Last Fiscal Year 80
  - Schedule of Contributions – Texas Municipal Retirement System – Last Ten Fiscal Years 81
  - Schedule of Contributions – Denton Firemen's Relief and Retirement Fund – Last Ten Fiscal Years 82
  - Schedule of Other Postemployment Benefits – Funding Progress and Contributions – Last Three Valuation Years 83
- Combining and Individual Fund Financial Statements and Schedules:
  - Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:
    - Debt Service Fund 85
  - Combining Balance Sheet – Nonmajor Governmental Funds 88
  - Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds 90

ToC

City of Denton, Texas
Comprehensive Annual Financial Report
For Year Ended September 30, 2017

TABLE OF CONTENTS
(Continued)

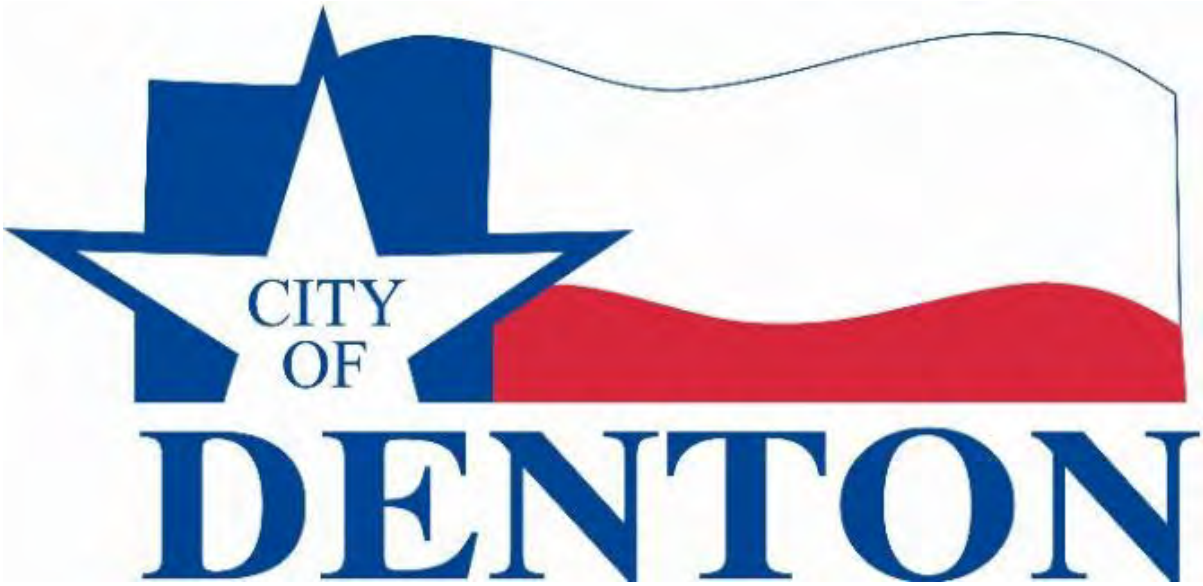
Page

FINANCIAL SECTION (continued):
Combining and Individual Fund Financial Statements and Schedules (continued):
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:
Recreation....92
Police Confiscation....93
Tourist and Convention....94
Street Improvement Fund....95
Gas Well Revenues Fund....96
Citizens' Park Trust....97
Combining Statement of Net Position – Internal Service Funds....100
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds....102
Combining Statement of Cash Flows – Internal Service Funds....104
Combining Statement of Changes in Assets and Liabilities – Agency Funds....106
Capital Assets Used in the Operation of Governmental Funds:
Comparative Schedules by Source....107
Schedule by Function and Activity....108
Schedule of Changes by Function and Activity....109

STATISTICAL SECTION (UNAUDITED):

Table
1 Net Position by Component....112
2 Changes in Net Position....114
3 Fund Balances of Governmental Funds....118
4 Changes in Fund Balances of Governmental Funds....120
5 Assessed Value and Estimated Actual Value of Taxable Property....122
6 Property Tax Rates (Per $100 of Assessed Value) – Direct and Overlapping Governments....124
7 Principal Property Taxpayers....126
8 Property Tax Levies and Collections....128
9 Ratio of Outstanding Debt by Type....130
10 Ratio of General Bonded Debt Outstanding....132
11 Direct and Overlapping Governmental Activities Debt....133
12 Pledged Revenue Coverage....134
13 Demographic and Economic Statistics....136
14 Principal Employers....137
15 Full-Time Equivalent City Government Employees by Function/Program....138
16 Operating Indicators by Function/Program....140
17 Capital Asset Statistics by Function/Program....142

OTHER SUPPLEMENTAL INFORMATION:
Schedule of Expenditures – Budget and Actual – General Fund....145


CITY
OF
DENTON

Finance Department
215 E. McKinney St., Denton, TX 76201 • (940) 349-8531

March 2, 2018

The Honorable Mayor and Members of the City Council
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Denton (the City) for the fiscal year ended September 30, 2017. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2017.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Pattillo, Brown & Hill L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2017. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 98.818 square miles and has an estimated population of 124,988. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member

districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is located in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex, and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water and wastewater services.

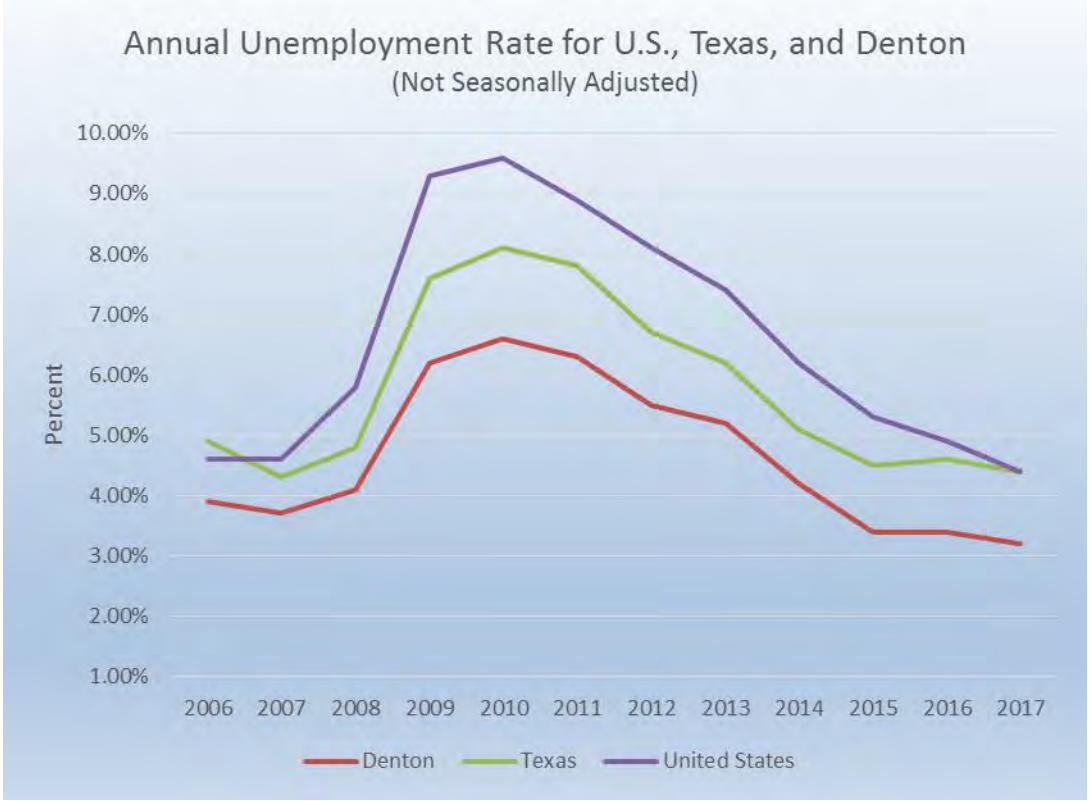
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, and Technology Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

The City of Denton's tax base continues to grow with an average growth rate of 5.61% over the last 10 years. Recently, the City's tax base grew by 8.54% in FY 2015-16, 8.38% in FY 2016-17 and 13.57% in FY 2017-18. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 33% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2016-17, total sales tax revenues equaled $36,841,137, which is $4,216,840 or 12.9%, more than the prior year collections of $32,624,297. For FY 2017-18, sales tax collections are conservatively budgeted to decrease by 1.8% over FY 2016-17 actual receipts.

Increased strength in employment and growth in new residential and commercial construction are leading indicators of continued growth in the City's property tax base and sales tax collections. The City of Denton's not seasonally adjusted annual unemployment average rate remains below state and national levels at 3.2 percent in 2017 which is a 0.2 decrease from 2016. The City of Denton has issued 927 new residential and commercial building permits for calendar year 2017, with an estimated value of $515 million on all 2017 permits. This compares to a total of 618 commercial and residential permits issued for calendar year 2016 and an estimated value of $388 million.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.


Annual Unemployment Rate for U.S., Texas, and Denton
(Not Seasonally Adjusted)
Percent
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Denton
Texas
United States

Taxable Property Value Per Capita
(City of Denton)
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Fiscal year 2016-17 brought exciting news in economic development. Listed below are just a few of the highlights:

- The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 400,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the Market Place with 137,381 and 189,929 square feet, respectively. The southern portion of this development continues to expand with new tenants under construction such as Alamo Drafthouse, Rooms To Go, Andy B's Entertainment and Bowling Center, Cheddars Scratch Kitchen and Zoës Kitchen. These new tenants join WinCo Foods, Chili's, Raising Canes, Chipotle, Firehouse Subs, Sleep Number Beds, Luxe Nail Salon and In-N-Out Burger. These new and existing tenants join with the Embassy Suites Hotel and convention center described in more detail in the next paragraph.

- O'Reilly Hotel Partners Denton (OHPD) opened the 70,000-square-foot convention center, 300-room Embassy Suites Hotel, and Houlihan's restaurant project in January, 2018. As a major anchor for the Rayzor Ranch Town Center, the project will capitalize on the planned shopping, entertainment, and restaurants located nearby. The privately managed convention center is expected to expand the City's convention business and overall tourism industry.

- The City's airport is expanding by adding a 5,000 foot long, 75-foot wide second runaway. This project is funded by the City and a grant by the Texas Department of Transportation – Aviation Division. The runway is expected to begin construction in April, 2018 and be completed in nine months. This will significantly expand the capacity of the Denton airport which is currently the seventh busiest airport in Texas and the number one general aviation airport in the state.

- The North Central Texas College (NCTC) is moving forward with plans to open a new campus location in downtown Denton. The planned facility would be approximately 45,000 square feet with classrooms for 2,500 students. The plans also include a four-story parking garage with 350 spaces. NCTC has a partnership with the University of North Texas and Texas Woman's University that allows students to transfer without losing credits and also gives student the opportunity to be concurrently enrolled at all three institutions.

- The City has entered into a new and exciting agreement for management of Stoke, Denton's coworking space housed in a downtown transit-oriented mixed use development. Stoke is an economic development project of the City of Denton which is designed to support local entrepreneurship and technological innovation. The new manager is Hickory & Rail Ventures, LLC run by a local Denton entrepreneur who also cofounded a satellite software company. The new management company has partnerships with the University of North Texas as well as investor networks for local entrepreneurs.

- WinCo Foods, an employee owned supermarket company with stores in eight states in the western U.S., has constructed and occupied an 850,000-square-foot regional distribution facility in Denton's Westpark Industrial Park. This facility employs approximately 165 employees and has an annual payroll of about $7.2 million.

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2017-18 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The budget document can be obtained from the City of Denton's Finance Department by calling (940) 349-8260. The Annual Budget can also be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. The actual reserve level has exceeded this target for the current fiscal year. As described in the accompanying CAFR document, the unassigned fund balance is $31.8 million, or 26.7%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2017.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2015-16 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The rate reserve level is established at a range of 8% to 12% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2016-17.

MAJOR INITIATIVES

In FY 2016-17, the City continued to emphasize street maintenance and repair activities as funding in the Street Improvement Fund was increased by $1,850,360. This additional funding was used for an additional five member street maintenance crew and equipment, as well as additional funding for base failure maintenance, overlay materials, and micro seal activities. In addition to improving the City's street infrastructure, the enhancement of public safety is also identified in the Strategic Plan as a major initiative. Accordingly, the FY 2016-17 General Fund budget included $2,641,808 in funding enhancements for public safety programs. These enhancements included the funding of a new medic unit (six new personnel) at Fire Station 8, breathing apparatus replacements and a Fire Training Captain position. Funding was also included in the Police Department for the addition of one Lieutenant, four Patrol Officers, two Motorcycle Officers, five additional 9-1-1 dispatchers, and an additional position in the animal services division.

Employee compensation remained a continuing priority for FY 2016-17 with an average 3% merit increase provided to all employees along with eligible step increases for all police and fire civil service personnel. Another major funding priority was $813,045 of one-time capital expenditures from the Traffic Safety Fund. These expenditures included the replacement of one traffic signal, additional downtown sidewalk improvements, intersection radar detection equipment, traffic signal pre-emption improvements and ADA intersection improvements for five pedestrian crossings.

AWARDS AND ACKOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016, for the thirty second consecutive year. In order to be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

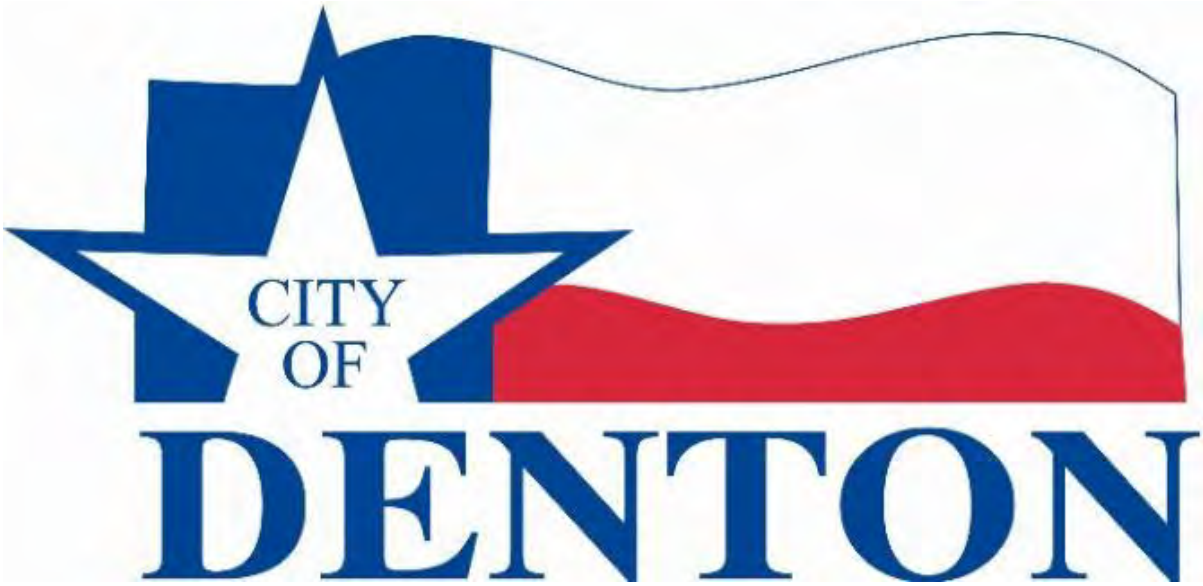
The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2016-17 Annual Budget for the thirty first consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2017-18 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

In 2017, the City's Purchasing Department earned the Excellence in Procurement Award from the National Purchasing Institute, Inc. (NPI) for the nineteenth year in a row. This award is achieved by those organizations that demonstrate excellence in procurement by achieving a high score on standardized criteria designed to measure innovation, professionalism, productivity, and leadership. NPI represents purchasing officials employed by national, state, and local governments; educational institutions; and tax-supported and public entities throughout the country.

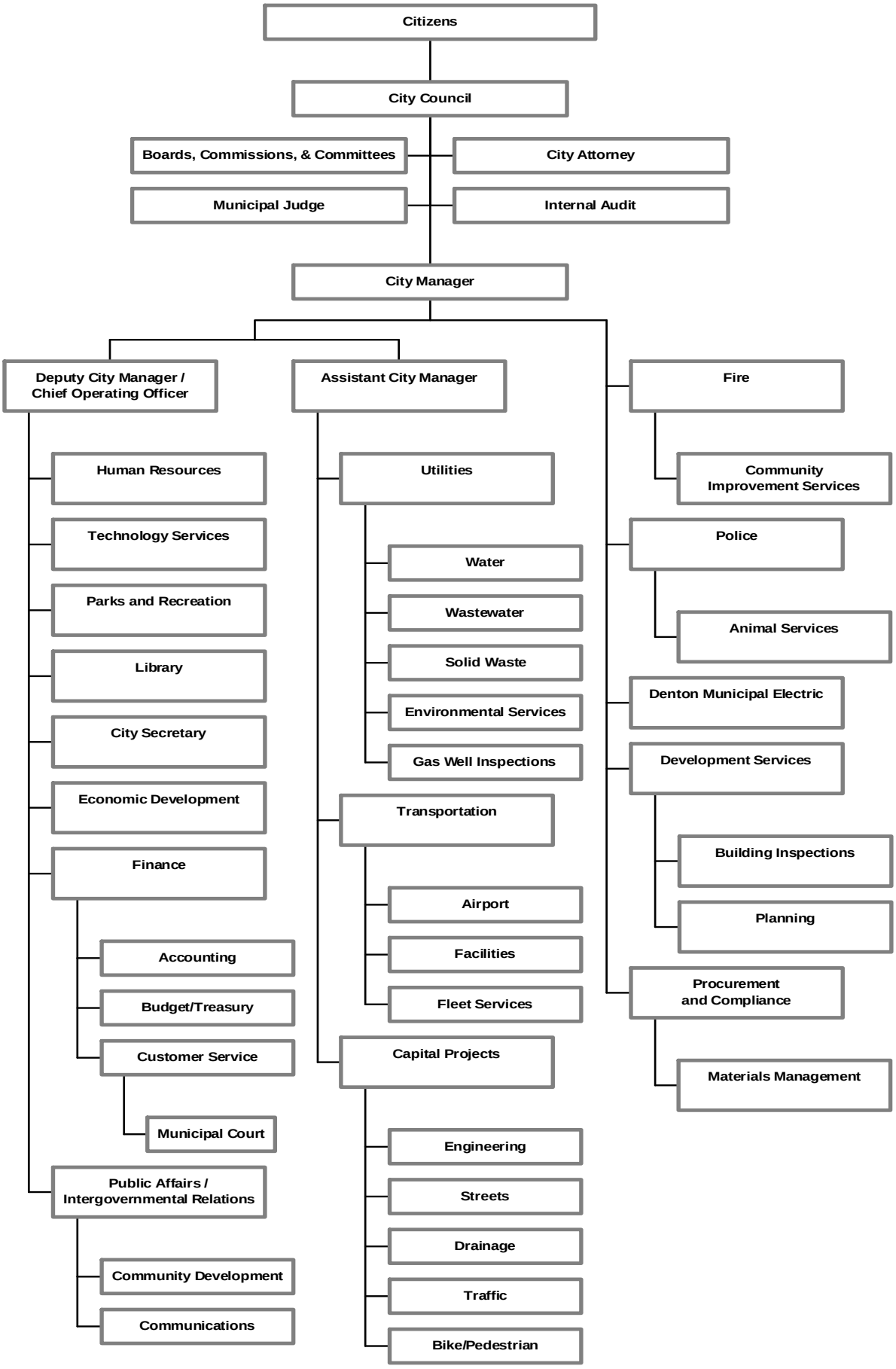
We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

Bryan Langley
Deputy City Manager

Antonio Puente, Jr.
Director of Finance


CITY
OF
DENTON

Current Organizational Chart



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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denton

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

CITY OF DENTON, TEXAS

List of Principal Officials

ELECTED OFFICIALS

Title	Name
Mayor	Chris Watts
Councilmember, District 1	Gerard Hudspeth
Councilmember, District 2	Keely G. Briggs
Councilmember, District 3	Don Duff
Councilmember, District 4	John Ryan
Councilmember, At Large Place 5	Dalton Gregory
Councilmember, At Large Place 6, Mayor Pro Tem	Sara Bagheri

CITY OFFICIALS

Title	Name
City Manager	Todd Hileman
Deputy City Manager / Chief Operating Officer	Bryan Langley
Assistant City Manager	Mario Canizares
City Attorney	Aaron Leal
Municipal Judge	Robin Ramsay
City Secretary	Jennifer Walters

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Denton, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Denton, Texas' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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AICPA
Governmental Audit Quality Center

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedules of contributions, and the schedule of funding progress for the post-employment benefits plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denton, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital assets schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the capital assets schedules are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the capital assets schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

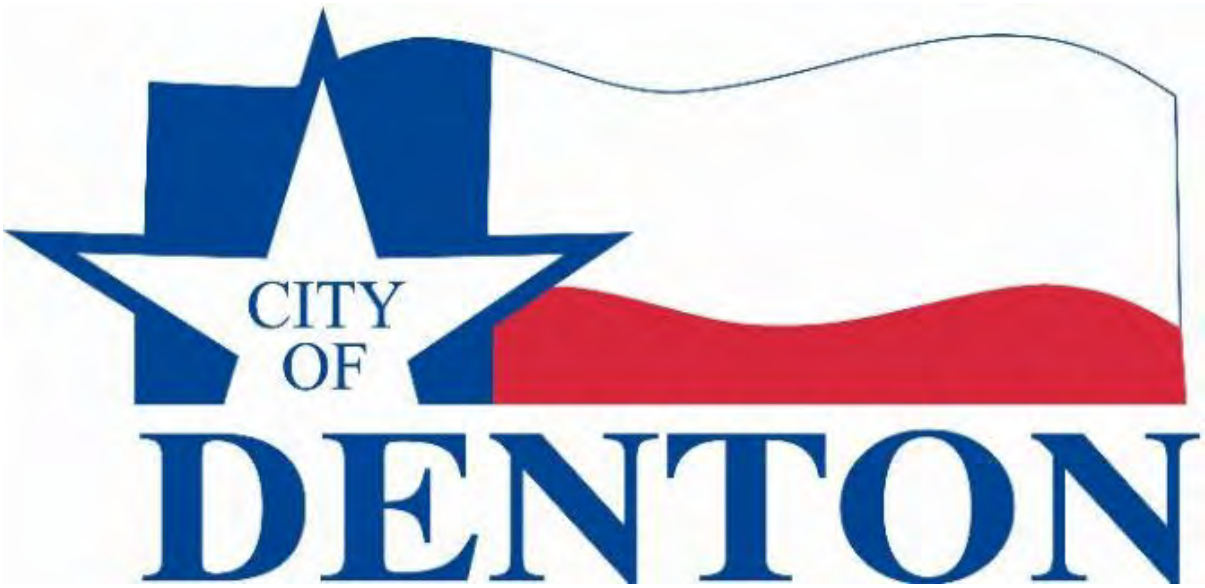
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018 on our consideration of the City of Denton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Denton, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 2, 2018


CITY
OF
DENTON

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 15).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2017 by $832,938,794 (net position). Of this amount, $138,682,191 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position on the statement of net position increased by $57,055,549 in fiscal year 2017.
- As of September 30, 2017, the City's governmental funds reported combined fund balances of $141,964,748, an increase of $17,214,949 in comparison with the prior fiscal year. Compared to the prior year, revenues were higher by $16.2 million due primarily to higher property tax of $5.5 million, sales tax of $4.2 million, franchise fees of $1.6 million, intergovernmental revenues of $4.4 million, investment revenue of $0.3 million, and miscellaneous revenue of $1.0 million. The higher revenues were offset by lower fees for service of $0.5 million, and fines and forfeitures of $0.4 million. Expenditures reflect higher costs for public safety of $2.1 million, higher costs for general government of $0.3 million, higher costs for parks and recreation of $0.2 million, higher cost for public works expenses of $4.3 million, and higher capital expenditures of $13.2 million. Total expenditures of the City's combined governmental funds are $20.6 million higher than the prior year. New proceeds from the issuance of long-term debt added $33.4 million in new funding. Net transfers decreased by $0.7 million, from $1.6 million in fiscal year 2016, to $0.9 million in fiscal year 2017. Approximately 20.3% of the $141,964,748, or $28,828,396, is available for spending at the government's discretion (unassigned fund balance)
- The City's total noncurrent liabilities, including other noncurrent liabilities, increased by $301,101,497 during the fiscal year. The primary reasons for the changes are the issuance of $29.1 million of general obligation refunding and improvement bonds, $90.8 million of certificates of obligation, and the issuance of $214.9 million of utility revenue bonds, offset by the normal pay down of general obligation bonds and certificates of obligation of $46.0 million. The general obligation refunding bonds refunded $13.0 million of general obligation bonds. In addition to issuance and pay down of debt, the City's total noncurrent liabilities for pensions decreased by $1.5 million while other post-employment benefit obligations increased by $2.7 million. Additional information on the City's long-term debt can be found in note IV. G. on pages 53 - 57 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only

result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities**. Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities**. The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

The government-wide financial statements can be found on pages 15 - 17 of the report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The below illustration summarizes the major features the City's financial statements.

Major Features of City of Denton's Government-wide and Fund Financial Statements

		Fund Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	Activities of the City that are not proprietary, such as police, fire and parks	Activities the City operates similar to private businesses: electric, water, wastewater utilities, solid waste and airport operations
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Types of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year of soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental funds**. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for

spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for eight of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds**. The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's municipal warehouse, the City's self-insurance fund, and the City's equipment maintenance function. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The funds provide the same type of information as the government-wide financial statements, only in more detail and include the internal service fund-type activity. The City considers all enterprise funds to be major funds.

- **Fiduciary funds**. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are a component of fiduciary funds. Agency funds differ from other fiduciary funds in that they do not typically involve a formal trust agreement. Agency funds are used to account for situations where the City's role is purely custodial, such as receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments.

  The City maintains one fiduciary fund, an agency fund. The City uses agency funds to account for the collection and payment of property and evidence, temporary developer holdings and other similar relationships.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 78 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2017, the City's combined net position were $832,938,794, of which $173,429,494 can be attributed to governmental activities and $659,509,300 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (80.2%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 268,812	$ 228,329	$ 541,416	$ 411,484	$ 810,228	$ 639,813
Capital assets, net of accumulated depreciation	266,657	237,091	1,081,445	867,834	1,348,102	1,104,925
Total assets	535,469	465,420	1,622,861	1,279,318	2,158,330	1,744,738
Deferred outflows of resources	26,540	31,094	15,437	17,949	41,977	49,043
Long-term liabilities outstanding	246,484	223,907	883,259	604,736	1,129,743	828,643
Other liabilities	137,843	114,351	95,004	71,384	232,847	185,735
Total liabilities	384,327	338,258	978,263	676,120	1,362,590	1,014,378
Deferred inflows of resources	4,253	2,830	526	690	4,779	3,520
Net position:						
Net investment in capital assets	165,408	145,310	502,801	460,330	668,209	605,640
Restricted	14,531	13,737	11,516	8,892	26,047	22,629
Unrestricted	(6,510)	(3,621)	145,192	151,235	138,682	147,614
Total net position	$ 173,429	$ 155,426	$ 659,509	$ 620,457	$ 832,938	$ 775,883

Governmental activities increased the City's net position by $18,003,463. Business-type activities increased the City's net position by $39,052,086. The key elements of these increases are contained in Table 2.

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	$ 19,334	$ 21,841	$ 282,063	$ 268,793	$ 301,397	$ 290,634
Operating grants and contributions	4,668	2,856	-	-	4,668	2,856
Capital grants and contributions	17,180	5,885	20,348	7,705	37,528	13,590
General Revenues:						
Property tax	64,349	58,788	-	-	64,349	58,788
Sales tax	36,841	32,624	-	-	36,841	32,624
Franchise tax	24,211	22,659	-	-	24,211	22,659
Hotel occupancy tax	2,374	2,243	-	-	2,374	2,243
Beverage tax	618	597	-	-	618	597
Bingo tax	14	19	-	-	14	19
Investment Income	1,330	1,020	3,472	2,010	4,802	3,030
Miscellaneous	2,234	1,586	384	1,198	2,618	2,784
Total revenues	173,153	150,118	306,267	279,706	479,420	429,824
Expenses:						
General government	40,762	33,847	-	-	40,762	33,847
Public safety	68,547	63,118	-	-	68,547	63,118
Public works	24,994	24,557	-	-	24,994	24,557
Parks and recreation	16,793	16,044	-	-	16,793	16,044
Interest on long-term debt	4,971	4,665	-	-	4,971	4,665
Electric	-	-	174,901	145,964	174,901	145,964
Water	-	-	28,203	26,001	28,203	26,001
Wastewater	-	-	26,730	23,921	26,730	23,921
Solid waste	-	-	34,533	29,435	34,533	29,435
Airport	-	-	1,931	2,537	1,931	2,537
Total expenses	156,067	142,231	266,298	227,858	422,365	370,089
Increase in net position before transfers	17,086	7,887	39,969	51,848	57,055	59,735
Transfers	917	1,184	(917)	(1,184)	-	-
Increase in net position	18,003	9,071	39,052	50,664	57,055	59,735
Net position at beginning of year	155,426	146,355	620,457	569,793	775,883	716,148
Net position at end of year	$ 173,429	$ 155,426	$ 659,509	$ 620,457	$ 832,938	$ 775,883

Governmental activities. Expenses for the governmental activities reflects an increase of $6.9 million in general government, an increase of $5.4 million in public safety, a $0.4 million increase in public works, and a $0.7 million increase in parks and recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of $68,546,557. The most significant portion of public safety is the cost of personnel, which totaled $54,136,532. Governmental activities expense also includes general government, which incurred $40,761,972 in expenses, of which $17,008,730 represented personnel charges.

These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are $64,348,754 for the fiscal year ended September 30, 2017. The $10.6 million increase in the governmental program revenues are mainly due to an increase of $10.4 million in capital grants and contributions for public works and a $1.1 million increase for parks and recreations, offset by charges for services decrease of

$0.7 million for General government, $1.1 million decreased for public safety and a decreased $0.9 million for parks and recreation. Total operating grants and contributions increased by $1.8 million for general government, public safety and parks and recreation. Governmental general revenues included an increase of $5.6 million for property tax due to rising values and an increase of $4.2 million for sales tax due to an improving economy. Transfers reflect a $0.9 transfer into governmental activities for the current year as compared to a transfer in of $1.1 million for the prior fiscal year.

Business-type activities. Business-type activities increased the City's net position by $39,052,086, accounting for 68.4% of the growth in the entity-wide net position. All Utility service revenues increased by a total of $12.6 million. Electric charges for services increased by $5.9 million. Water charges for services increased by $2.9 million as compared to the service charges from prior year. Wastewater charges provided $1.2 million of the increase. Solid Waste charges for service provided an additional $2.5 million. Airport charges for goods and services increased by $0.2 million as compared to service charges from the prior year. Water and Wastewater collected $5.0 million and $2.4 million in impact fees, respectively, reflecting a $0.1 million increase over the prior year. Capital contributions, which arise from new property development within the City, represent a major revenue source for the Water, Wastewater, and Airport during the current fiscal year, producing an additional $12.6 million in revenue compared to the prior year. The Airport gas well revenues contributed an additional $0.6 million to the increase in net position, an increase of $0.1 million from the prior year. Total enterprise funds operating costs, before depreciation, increased by $21.4 million. Electric expenses reflect an increase of costs related to purchase power costs of $15.0 million and administrative cost of $1.0 million. Water expenses reflect $0.5 million in increased costs for personal services and $0.2 million for repairs and $0.1 million for administrative costs. Wastewater expenses reflect an increase for materials and supplies of $0.2 million, and administrative costs of $0.1 million. Solid Waste operations expenses reflect an increased costs for personal services of $0.8 million, administrative costs of $0.1 million, and closure/post closure costs of $2.2 million due to a new engineering study of the closure costs associated with the landfill expansion. Airport operations expenses reflect a $0.5 million decrease in debt service costs and a $0.1 million decrease in personnel costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $142.0 million, an increase of $17.2 million in comparison with the prior year. Approximately $28.8 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted ($89.8 million), committed ($8.5 million), and assigned ($14.8 million).

The General Fund is the chief operating fund of the City. At September 30, 2017, the unassigned fund balance of the General Fund was $31.8 million, or 26.7% of budgeted general fund expenditures. The General Fund's ending fund balance increased by $3.6 million during the current fiscal year. The change in fund balance is due to expenditures, including other financing uses, of $106.9 million, and revenues, including other financing sources, of $110.5 million. Revenues were $8.0 million higher compared to the previous year primarily due to increased taxes of $7.7 million, intergovernmental revenues of $0.1 million, and investment revenue of $0.1 million. The net change in expenditures was $5.2 million higher as compared to the previous year primarily due to increased costs related to personal services, operations, and transfers out. The increased personnel costs accounted for $1.9 million, of which public safety accounted for all of the personnel costs. The increased operations costs of $1.0 million over the prior year is related to an increase of general government in the amount

of $0.7 million, public safety in the amount of $0.2 million, and public works in the amount of $0.1 million. The increased transfers out of $0.5 is due to increased transfers to capital projects.

Personnel costs, on a year over year comparison, were higher due to an average merit increase of 3% for non-civil service employees, a pay adjustment for civil service employees to reach the market average plus 5% and continued step raises for public safety civil service employees. Additional personnel costs included equity adjustments for employees whose salary was below the market rate for their positions. During the fiscal year 20 FTE's were added to public safety, and 13.6 FTE's were added to neighborhood and community services in general government.

At the end of the fiscal year, the capital projects fund has a total fund balance of $89.4 million, an increase of $14.2 million. The total fund balance is made up of $74.5 million in restricted funds and $14.8 million in assigned funds, all for capital construction and acquisition. In 2017, the City received $35.9 million of proceeds from the issuance of debt and recognized $5.6 million of regional toll revenues from the Texas Department of Transportation, while expending $36.8 million on construction and acquisition. In addition, the capital projects fund received $0.6 million in interest income, $0.1 million from the sale of fixed assets and insurance recoveries, and $9.1 million of transfers from other funding sources. The City also received approximately $5.9 million more in developer's contributed capital than in the prior year for a total of $9.4 million recorded in the government-wide financial statements.

The debt service fund has a total fund balance of $5.4 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of $0.5 million resulted from an increase of $2.0 million in tax revenue offset by an increase of $1.5 million in principal and interest costs. Additional amounts include a reduction from the prior year of a $1.5 million of premiums on debt issuance, a reduction of $1.5 million in the refunding bonds issued and the payments to refunded bond escrow agent, and a reduction of transfers in by $0.1 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2017 in proprietary funds are $47.8 million for Electric, $44.9 million for Water, $38.0 million for Wastewater, $2.8 million for Solid Waste, and $2.9 million for the Airport Fund. The results reflect an decrease of the unrestricted net position in the Electric Fund of $15.0 million, while increases were reflected in the Water fund of $4.7 million, the Wastewater fund of $6.0 million, the Solid Waste fund of $0.6 million, and a the Airport fund of $0.1 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2017, three formal amendments to adjust the City's of Denton Annual Program of Services was approved by Council for the General Fund. Council approved funding to provide for additional improvements, equipment and other expenses. The additional funds increased the General Fund by $4.6 million, the Electric Fund for higher power purchase costs by $13.0 million, the Downtown Reinvestment Fund and the Library Donation Fund by $20,000 each, and the Tourist and Convention Fund by $0.2 million.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT

For fiscal year 2017, General Fund actual expenditures (including transfers) on a budgetary basis were $115.2 million compared to the final budget of $119.0 million. The $3.8 million positive expenditure variance was primarily due to reduced costs of $2.7 million in personnel, $0.3 million in materials, $0.1 in maintenance and $0.7 million in insurance costs.

The personnel savings is due to reduced costs of $0.5 million in general government, $1.5 million in public safety, $0.1 million in public works and $0.6 million in parks and recreation. In addition to personnel savings, general government, public safety, and parks and recreation also saw a combined reduced costs of $0.7 million in insurance costs. Parks and recreation experienced additional reduced costs of $0.3 million in materials and repair costs. General government experienced a positive $0.1 variance of lower than budgeted transfers out.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were $118.8 million compared to the final budget of $114.4 million. Of the $4.4 million revenue variance, approximately $4.0 million of the positive revenue variance is due to greater that budgeted sales tax revenue, a $0.6 million positive revenue variance for ad valorem tax, a $0.3 million negative revenue variance for fees for service, a $0.5 million negative revenue variance for fines and forfeitures, a $0.2 million negative revenue variance for franchise fees, and a $0.4 million positive revenue variance for miscellaneous revenues.

The City of Denton's General Fund unassigned fund balance at September 30, 2017 is $31.8 million, or 26.7% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2017 unassigned fund balance.

	Actual 9/30/2017	Actual 9/30/2016
Unassigned balance	$31,770,773	$28,070,483
% of total budgeted expenditures	26.7%	25.4%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 8.23% compared to the prior year certified value, which showed an increase of 8.54%. The current property tax year included $208.4 million of new growth and construction that was added to the tax rolls in Tax year 2016 as compared to Tax year 2015. The fiscal year 2017 ad valorem tax rate decreased to $0.68334 as compared to the prior years' rate of $0.68975 per $100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2017, the City had $1,348,101,996 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and deductions) of $243,177,803 or 22.0% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	$ 21,679	$ 16,511	$ 29,413	$ 27,182	$ 51,092	$ 43,693
Landfill improvements	-	-	3,712	5,336	3,712	5,336
Building and improvements	40,172	35,182	16,009	12,439	56,181	47,621
Plant, machinery and equipment	40,691	35,278	263,292	195,463	303,983	230,741
Water rights	-	-	50,135	50,831	50,135	50,831
Infrastructure	107,434	94,165	363,451	339,628	470,885	433,793
Construction in progress	56,681	55,955	355,433	236,955	412,114	292,910
Total capital assets	$ 266,657	$ 237,091	$ 1,081,445	$ 867,834	$ 1,348,102	$ 1,104,925

This year's major asset additions included:

Description	Amount
McKinney Substation	$ 15,069,268
Pockrus Substation	12,091,068
Westpark Infrastructure	6,535,766
Linda McNatt Animal Shelter	5,658,879
Eagle Drive Improvements	4,531,773
Pecan Creek Interceptor Phase III	3,266,259
Country Lake Subdivision Infrastructure	3,096,436
Highway 380 Utility Relocations	2,917,375
Ryan Meadows Subdivision Infrastructure	2,841,309
Fire Station Land	2,779,080
Total	$ 58,787,213

Additional information on the City's capital assets can be found in note IV. D. on pages 48 - 50 of this report.

Debt. At year-end, the City had $977.7 million in bonds and notes outstanding as compared to $701.9 million at the end of the prior fiscal year, an increase of 39.3%, as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 118,268	$ 109,861	$ 127,677	$ 141,064	$ 245,945	$ 250,925
Certificates of obligation	49,285	34,565	467,620	416,465	516,905	451,030
Revenue bonds	-	-	214,890	-	214,890	-
Total	$ 167,553	$ 144,426	$ 810,187	$ 557,529	$ 977,740	$ 701,955

These amounts do not include net unamortized premiums/ (discounts) of $80,023,714 or net deferred gain/ (loss) on refunding of ($6,439,114).

During the current fiscal year, the City issued debt two times, in January 2017 and in May 2017. The January debt issuance resulted in $214.9 million in utility system revenue bonds to be used to acquire and construct additions and improvements to the City's electric light and power system, including new quick start peak power generation facilities. The May debt issuance resulted in $90.8 million in certificates of obligation, of which $73.8 million was for enterprise operations and $17.0 million for governmental activities, and $29.1 million in general obligation refunding and improvement bonds which refunded $13.0 million in general obligation bonds and provided $17.2 million of new funding for various governmental capital improvements. Normal pay down in debt was $21.1 million in general obligation bonds and $24.9 million in certificates of obligation.

Moody's Investor's Service, Inc. has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "Aa2." Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.41%.

Other long-term liabilities. The City maintains a self-insurance program for general liability, auto liability, public officials' liability, errors and omission liability, police professional liability, and workers' compensation. Private insurance companies cover claims for property loss over $50,000 per location/$250,000 per occurrence aggregate, for workers' compensation losses over $500,000 per occurrence, and for liability over $500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of $2.5 million outstanding at year-end compared with $2.5 million at the end of the prior fiscal year. Other obligations include pension liabilities, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G., on pages 53 - 57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While growth for the Denton community is expected to be moderate in the short term, demands for city services are expected to remain strong over the long term. As a result, the fiscal year 2018 Budget includes an Ad valorem tax rate of $0.637856/$100 valuation, a decrease of $0.045484/$100 in comparison to the prior year. While sales tax increased over the prior year by 12.9%, the fiscal year 2018 Budget projects a decrease of 1.8% over fiscal year 2017 actual sales tax revenues. General Fund expenditure enhancements for fiscal year 2018 include new positions in public safety and transportation while neighbor service and administrative and community services reduced positions. Funding enhancements of $1.4 million will be budgeted for public safety, $0.5 million for neighbor services, $0.1 million for transportation, and $0.5 million for administrative and community services in fiscal year 2018 in accordance with priorities established through the Strategic Plan.

The fiscal year 2018 budget includes a decrease of 1.0% for the Energy Cost Adjustment (ECA) rate across all electric customer classes. The water, wastewater and solid waste rates have no changes in fiscal year 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.

CITY OF DENTON, TEXAS **Exhibit I**
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 73,260,057	$ 184,233,710	$ 257,493,767
Receivables, net of allowances:			
Taxes	7,512,217	-	7,512,217
Accounts	-	12,978,316	12,978,316
Unbilled utility service	-	15,430,089	15,430,089
Interest	316,407	811,932	1,128,339
Other	4,387,573	1,770,270	6,157,843
Internal balances	(13,305,658)	13,305,658	-
Due from other governments	4,184,594	-	4,184,594
Inventory	7,543,184	-	7,543,184
Prepaid items	197,182	22,056,236	22,253,418
Other Assets	-	26,930,415	26,930,415
Total current assets	84,095,556	277,516,626	361,612,182
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	183,622,576	262,692,264	446,314,840
Escrow deposits	189,000	50,000	239,000
Accrued interest	816,506	1,157,753	1,974,259
Other receivables	88,573	-	88,573
Capital assets not being depreciated:			
Land	21,678,996	29,412,602	51,091,598
Construction in progress	56,681,662	355,433,364	412,115,026
Capital assets, net of accumulated depreciation:			
Buildings	40,171,941	16,009,301	56,181,242
Plant, machinery and equipment	40,690,983	263,292,164	303,983,147
Infrastructure	107,433,845	363,450,727	470,884,572
Landfill improvements	-	3,711,709	3,711,709
Water rights	-	50,134,702	50,134,702
Total noncurrent assets	451,374,082	1,345,344,586	1,796,718,668
Total assets	535,469,638	1,622,861,212	2,158,330,850
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	2,031,132	4,407,982	6,439,114
Deferred pension balances	24,508,814	11,029,165	35,537,979
Total deferred outflows of resources	26,539,946	15,437,147	41,977,093
LIABILITIES:			
Current liabilities:			
Accounts payable	7,667,479	17,587,373	25,254,852
Retainage payable	33,372	11,942	45,314
Deposits	-	4,832,708	4,832,708
Accrued interest	5,472	-	5,472
Noncurrent liabilities due within one year	25,686,936	48,489,970	74,176,906
Other liabilities	366,094	-	366,094
Unearned revenue	95,285,803	-	95,285,803
Payable from restricted assets:			
Accounts payable	6,875,292	13,665,241	20,540,533
Retainage payable	960,173	3,155,749	4,115,922
Accrued interest	962,223	7,260,583	8,222,806
Total current liabilities	137,842,844	95,003,566	232,846,410
Noncurrent liabilities:			
Noncurrent liabilities due in more than one year	246,484,212	883,259,747	1,129,743,959
Total noncurrent liabilities	246,484,212	883,259,747	1,129,743,959
Total liabilities	384,327,056	978,263,313	1,362,590,369
DEFERRED INFLOWS OF RESOURCES			
Deferred pension balances	4,253,034	525,746	4,778,780
Total deferred inflows of resources	4,253,034	525,746	4,778,780
NET POSITION:			
Net investment in capital assets	165,408,284	502,801,204	668,209,488
Restricted for:			
Debt service	4,666,797	2,671,250	7,338,047
Parks and recreation	5,760,075	-	5,760,075
Capital acquisition	-	8,844,957	8,844,957
Other grants and purposes	4,104,036	-	4,104,036
Unrestricted	(6,509,698)	145,191,889	138,682,191
Total net position	$ 173,429,494	$ 659,509,300	$ 832,938,794

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 40,761,972	$ 5,266,777	$ 2,568,095	$ 99,345
Public safety	68,546,557	8,773,221	1,589,158	170,697
Public works	24,994,628	879,453	16,062	15,801,701
Parks and recreation	16,792,417	4,414,379	494,476	1,108,348
Interest expense	4,970,968	-	-	-
Total governmental activities	156,066,542	19,333,830	4,667,791	17,180,091
Business-type activities:				
Electric system	174,900,860	172,027,080	-	-
Water system	28,202,500	41,332,006	-	5,362,783
Wastewater system	26,730,157	33,360,603	-	10,298,946
Solid waste	34,532,856	33,847,593	-	-
Airport	1,930,767	1,495,619	-	4,686,160
Total business-type activities	266,297,140	282,062,901	-	20,347,889
Total primary government	$ 422,363,682	$ 301,396,731	$ 4,667,791	$ 37,527,980

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	$ (32,827,755)	$ -	$ (32,827,755)
Public safety	(58,013,481)	-	(58,013,481)
Public works	(8,297,412)	-	(8,297,412)
Parks and recreation	(10,775,214)	-	(10,775,214)
Interest expense	(4,970,968)	-	(4,970,968)
Total governmental activities	(114,884,830)	-	(114,884,830)
Business-type activities:			
Electric system	-	(2,873,780)	(2,873,780)
Water system	-	18,492,289	18,492,289
Wastewater system	-	16,929,392	16,929,392
Solid waste	-	(685,263)	(685,263)
Airport	-	4,251,012	4,251,012
Total business-type activities	-	36,113,650	36,113,650
Total primary government	(114,884,830)	36,113,650	(78,771,180)
General revenues:			
Taxes:			
Property tax	64,348,754	-	64,348,754
Sales tax	36,841,137	-	36,841,137
Franchise fees	24,211,081	-	24,211,081
Hotel occupancy tax	2,374,221	-	2,374,221
Beverage tax	617,662	-	617,662
Bingo tax	13,633	-	13,633
Investment income	1,330,008	3,471,635	4,801,643
Gain on sale of capital assets	192,583	383,741	576,324
Miscellaneous	2,042,274	-	2,042,274
Transfers	916,940	(916,940)	-
Total general revenues and transfers	132,888,293	2,938,436	135,826,729
Change in net position	18,003,463	39,052,086	57,055,549
Net position at beginning of year	155,426,031	620,457,214	775,883,245
Net position at end of year	$ 173,429,494	$ 659,509,300	$ 832,938,794

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit III**
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash, cash equivalents and investments, at fair value	$ 25,829,121	$ 5,390,038	$ 191,562,019	$ 16,139,018	$ 238,920,196
Receivables, net of allowances for uncollectibles:					
Taxes	7,046,871	250,675	-	214,671	7,512,217
Accrued interest	114,667	23,756	844,263	71,123	1,053,809
Other	3,892,798	-	-	279,703	4,172,501
Interfund receivables	941,038	-	-	-	941,038
Due from other governments	687,229	-	-	3,497,365	4,184,594
Total assets	$ 38,511,724	$ 5,664,469	$ 192,406,282	$ 20,201,880	$ 256,784,355
LIABILITIES:					
Accounts payable	3,979,882	29,977	6,807,732	1,399,381	12,216,972
Retainage payable	-	-	960,174	33,371	993,545
Interfund payables	-	-	-	391,722	391,722
Other liabilities	366,094	-	-	-	366,094
Unearned revenues	-	-	95,262,923	22,880	95,285,803
Total liabilities	4,345,976	29,977	103,030,829	1,847,354	109,254,136
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	491,988	225,348	-	-	717,336
Unavailable revenue - general services	1,409,443	-	-	-	1,409,443
Unavailable revenue - intergovernmental	493,544	-	-	2,945,148	3,438,692
Total deferred inflows of resources	2,394,975	225,348	-	2,945,148	5,565,471
FUND BALANCES:					
Restricted for:					
Debt service	-	5,409,144	-	-	5,409,144
Parks and recreation	-	-	4,839,493	5,760,075	10,599,568
Streets and drainage projects	-	-	51,149,305	-	51,149,305
Other capital projects	-	-	18,544,086	-	18,544,086
Other grants and purposes	-	-	-	4,104,036	4,104,036
Committed to:					
Streets	-	-	-	1,158,667	1,158,667
Parks and recreation	-	-	-	439,825	439,825
Other purposes	-	-	-	6,889,093	6,889,093
Assigned to:					
Streets and drainage projects	-	-	7,897,077	-	7,897,077
Capital projects	-	-	6,945,492	-	6,945,492
Other purposes	-	-	-	59	59
Unassigned	31,770,773	-	-	(2,942,377)	28,828,396
Total fund balances	31,770,773	5,409,144	89,375,453	15,409,378	141,964,748
Total liabilities, deferred inflows of resources and fund balances	$ 38,511,724	$ 5,664,469	$ 192,406,282	$ 20,201,880	$ 256,784,355

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IV**
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017

Total fund balances - governmental funds (Exhibit III)			**$**	**141,964,748**
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.				**266,657,427**
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.				**5,565,471**
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:				
Deferred loss on refundings	**$**	**2,031,132**		
Deferred pension balances		**15,828,861**		
Deferred pension contributions		**8,679,953**		**26,539,946**
An internal charge to business-type activities is not recorded at the fund level.				**(8,754,974)**
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:				
Current assets	**$**	**26,274,552**		
Liabilities		**(11,759,812)**		**14,514,740**
Long-term balances, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:				
General obligation bonds payable	**$**	**(118,267,663)**		
Certificates of obligation payable		**(49,285,000)**		
Bond (premiums)/discounts		**(10,994,177)**		
Accrued interest on the bonds		**(967,695)**		
Capital leases payable		**(498,062)**		
Net Pension Liability		**(69,602,329)**		
Other post employment benefits liability		**(7,098,785)**		
Compensated absences		**(12,091,119)**		**(268,804,830)**
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:				
Deferred pension balances				**(4,253,034)**
Total net position of governmental activities (Exhibit I)			**$**	**173,429,494**

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS **Exhibit V**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

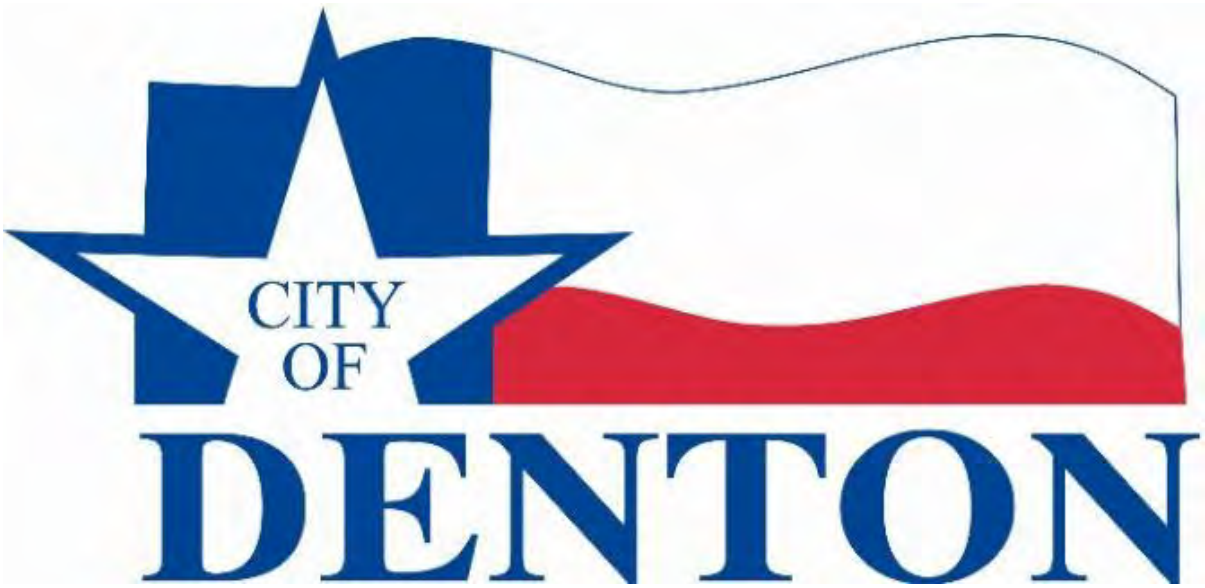
	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 81,040,432	$ 20,132,397	$ -	$ 2,991,465	$ 104,164,294
Licenses and permits	3,016,697	-	-	-	3,016,697
Franchise fees	13,113,210	-	-	11,097,871	24,211,081
Fines and forfeitures	3,646,487	-	-	2,392,914	6,039,401
Fees for services	7,417,774	-	-	2,977,392	10,395,166
Investment revenue	371,305	189,707	642,054	126,942	1,330,008
Intergovernmental	1,026,313	-	6,147,053	2,474,611	9,647,977
Miscellaneous	534,705	-	447,030	1,400,973	2,382,708
Total revenues	110,166,923	20,322,104	7,236,137	23,462,168	161,187,332
EXPENDITURES:					
Current:					
General government	27,131,242	-	457,153	3,742,362	31,330,757
Public safety	57,921,901	-	112,966	3,121,827	61,156,694
Public works	2,983,128	-	420,782	12,467,894	15,871,804
Parks and recreation	11,893,750	-	68,297	2,178,471	14,140,518
Capital outlay	580,588	-	36,754,088	857,127	38,191,803
Debt service:					
Principal retirement	50,052	14,245,118	-	56,317	14,351,487
Advance refunding escrow	-	103,950	-	-	103,950
Bond issuance costs	-	46,826	124,426	-	171,252
Interest and other charges	-	5,817,769	-	2,180	5,819,949
Total expenditures	100,560,661	20,213,663	37,937,712	22,426,178	181,138,214
Excess (deficiency) of revenues over (under) expenditures	9,606,262	108,441	(30,701,575)	1,035,990	(19,950,882)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	-	10,850,000	-	-	10,850,000
Payment to refunded bond escrow agent	-	(11,358,665)	-	-	(11,358,665)
Issuance of long-term debt	-	-	33,405,000	-	33,405,000
Premium on debt issuance	-	557,965	2,519,395	-	3,077,360
Insurance recoveries	-	-	86,992	-	86,992
Sale of capital assets	214,468	-	21,600	-	236,068
Transfers in	73,690	358,371	9,105,818	1,319,025	10,856,904
Transfers out	(6,293,495)	-	(204,634)	(3,489,699)	(9,987,828)
Total other financing sources (uses)	(6,005,337)	407,671	44,934,171	(2,170,674)	37,165,831
Net change in fund balances	3,600,925	516,112	14,232,596	(1,134,684)	17,214,949
Fund balance at beginning of year	28,169,848	4,893,032	75,142,857	16,544,062	124,749,799
Fund balances at end of year	$ 31,770,773	$ 5,409,144	$ 89,375,453	$ 15,409,378	$ 141,964,748

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VI**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds (Exhibit V)	**$**	**17,214,949**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($38,191,803) is different from depreciation and retirement of assets ($16,057,592 = $18,682,334 total governmental minus $2,624,742 internal service portion) in the current period.		**22,134,211**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.		**2,334,525**
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.		**9,039,192**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.		**(23,093,982)**
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.		**(2,036,162)**
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		**(5,512,724)**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is $2,464,337.		**(2,076,546)**
Change in net position of governmental activities (Exhibit II)	**$**	**18,003,463**

The notes to the basic financial statements are an integral part of this statement.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OF
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CITY OF DENTON, TEXAS **Exhibit VII**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 76,331,979	$ 76,331,979	$ 81,040,432	$ -	$ 81,040,432	$ 4,708,453
Licenses and permits	2,964,916	2,964,916	3,016,697	-	3,016,697	51,781
Franchise fees	13,329,014	13,329,014	13,113,210	-	13,113,210	(215,804)
Fines and forfeitures	4,109,242	4,109,242	3,646,487	-	3,646,487	(462,755)
Fees for services	7,934,837	7,934,837	7,417,774	242,453	7,660,227	(274,610)
Investment revenue	271,541	271,541	371,305	-	371,305	99,764
Intergovernmental	1,002,862	1,002,862	1,026,313	-	1,026,313	23,451
Miscellaneous	167,706	167,706	534,705	-	534,705	366,999
Total revenues	106,112,097	106,112,097	110,166,923	242,453	110,409,376	4,297,279
EXPENDITURES:						
Current:						
General government	32,049,729	31,376,218	27,131,242	3,549,823	30,681,065	695,153
Public safety	56,846,803	56,847,264	57,921,901	(2,973,884)	54,948,017	1,899,247
Public works	3,003,285	3,003,285	2,983,128	(104,713)	2,878,415	124,870
Parks and recreation	12,445,641	12,291,262	11,893,750	(638,232)	11,255,518	1,035,744
Capital outlay	617,508	549,895	580,588	-	580,588	(30,693)
Debt service:						
Principal retirement	-	-	50,052	-	50,052	(50,052)
Total expenditures	104,962,966	104,067,924	100,560,661	(167,006)	100,393,655	3,674,269
Excess (deficiency) of revenues over (under) expenditures	1,149,131	2,044,173	9,606,262	409,459	10,015,721	7,971,548
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	141,000	141,000	214,468	-	214,468	73,468
Transfer in	8,081,468	8,081,468	73,690	8,066,695	8,140,385	58,917
Transfers out	(9,470,964)	(14,946,179)	(6,293,495)	(8,476,154)	(14,769,649)	176,530
Total other financing sources (uses)	(1,248,496)	(6,723,711)	(6,005,337)	(409,459)	(6,414,796)	308,915
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(99,365)	(4,679,538)	3,600,925	-	3,600,925	8,280,463
Fund balances at beginning of year	28,169,848	28,169,848	28,169,848	-	28,169,848	-
Fund balance at end of year	$ 28,070,483	$ 23,490,310	$ 31,770,773	$ -	$ 31,770,773	$ 8,280,463

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 82,707,513	$ 48,370,037	$ 40,928,718
Receivables, net of allowances:			
Accounts	8,109,915	1,852,748	1,447,676
Unbilled utility service	9,588,752	2,518,450	1,642,663
Accrued interest	364,513	213,149	180,383
Other	1,594,228	-	-
Interfund receivables	3,714,053	621,449	215,182
Merchandise inventory	-	-	-
Prepaid items	22,056,236	-	-
Other Assets	26,930,415	-	-
Total current assets	155,065,625	53,575,833	44,414,622
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	188,235,091	27,446,701	13,307,739
Escrow deposit	-	50,000	-
Accrued interest	829,600	120,964	58,652
Total restricted assets	189,064,691	27,617,665	13,366,391
Capital assets, net of accumulated depreciation	550,690,234	256,168,939	208,366,889
Total noncurrent assets	739,754,925	283,786,604	221,733,280
Total assets	894,820,550	337,362,437	266,147,902
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	1,619,363	2,326,819	291,671
Deferred pension balances	2,681,821	1,267,684	1,007,457
Deferred pension contributions	2,090,820	931,539	715,620
Total deferred outflows of resources	6,392,004	4,526,042	2,014,748
LIABILITIES:			
Current liabilities:			
Accounts payable	15,566,637	846,452	577,166
Retainage payable	-	10,842	1,100
Claims payable	-	-	-
Compensated absences payable	1,152,287	530,704	360,791
Leases payable	-	-	-
Deposits	4,261,775	295,491	103,080
Accrued interest	-	-	-
Interfund payables	-	-	-
Payable from restricted assets:			
Accounts payable	12,472,519	391,569	227,519
Retainage payable	3,012,357	-	55,048
Accrued interest	6,116,508	504,721	250,884
Certificate and general obligation bonds	22,025,020	10,247,224	5,690,929
Total current liabilities paid from restricted assets	43,626,404	11,143,514	6,224,380
Total current liabilities	64,607,103	12,827,003	7,266,517

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 9,177,483	$ 3,049,959	$ 184,233,710	$ 17,762,761
Receivables, net of allowances:				
Accounts	1,518,843	49,134	12,978,316	-
Unbilled utility service	1,680,224	-	15,430,089	-
Accrued interest	40,445	13,442	811,932	78,224
Other	-	176,042	1,770,270	303,645
Interfund receivables	-	-	4,550,684	-
Merchandise inventory	-	-	-	7,543,184
Prepaid items	-	-	22,056,236	197,182
Deferred charges	-	-	26,930,415	-
Total current assets	12,416,995	3,288,577	268,761,652	25,884,996
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	33,362,868	339,865	262,692,264	199,676
Escrow deposit	-	-	50,000	189,000
Accrued interest	147,039	1,498	1,157,753	880
Total restricted assets	33,509,907	341,363	263,900,017	389,556
Capital assets, net of accumulated depreciation	51,684,890	14,533,617	1,081,444,569	7,656,507
Total noncurrent assets	85,194,797	14,874,980	1,345,344,586	8,046,063
Total assets	97,611,792	18,163,557	1,614,106,238	33,931,059
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	170,129	-	4,407,982	31,781
Deferred pension balances	1,248,052	81,702	6,286,716	1,417,763
Deferred pension contributions	956,875	47,595	4,742,449	1,071,642
Total deferred outflows of resources	2,375,056	129,297	15,437,147	2,521,186
LIABILITIES:				
Current liabilities:				
Accounts payable	569,200	27,918	17,587,373	2,325,799
Retainage payable	-	-	11,942	-
Claims payable	-	-	-	2,237,139
Compensated absences payable	468,075	25,217	2,537,074	625,946
Leases payable	-	-	-	443,839
Deposits	160,424	11,938	4,832,708	-
Accrued interest	-	-	-	5,472
Interfund payables	-	-	-	5,100,000
Payable from restricted assets:				
Accounts payable	573,634	-	13,665,241	-
Retainage payable	88,344	-	3,155,749	-
Accrued interest	388,470	-	7,260,583	-
Certificate and general obligation bonds	7,989,723	-	45,952,896	299,681
Total current liabilities paid from restricted assets	9,040,171	-	70,034,469	299,681
Total current liabilities	10,237,870	65,073	95,003,566	11,037,876

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	$ 46,534,009	$ 56,898,377	$ 13,679,366
Certificates of obligation	363,341,157	31,359,654	28,980,946
Revenue bonds payable, net of premium/discount	242,899,002	-	-
Compensated absences payable	239,311	58,616	61,339
Claims payable	-	-	-
Net pension liability	15,327,970	7,094,349	5,626,355
Other post employment benefits	1,194,707	1,064,041	753,209
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	669,536,156	96,475,037	49,101,215
Total liabilities	734,143,259	109,302,040	56,367,732
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension balances	224,742	105,738	84,211
Total deferred inflows of resources	224,742	105,738	84,211
NET POSITION:			
Net investment in capital assets	116,389,681	180,907,897	171,479,024
Restricted for debt service	2,671,250	-	-
Restricted for capital acquisition	-	6,650,271	2,194,686
Unrestricted	47,783,622	44,922,533	38,036,997
Total net position	$ 166,844,553	$ 232,480,701	$ 211,710,707

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
Noncurrent liabilities:				
General obligation bonds payable	$ 4,156,774	$ -	$ 121,268,526	$ 508,057
Certificates of obligation	45,414,693	-	469,096,450	159,243
Revenue bonds payable, net of premium/discount	-	-	242,899,002	-
Compensated absences payable	141,607	888	501,761	83,911
Claims payable	-	-	-	2,096,874
Net pension liability	7,055,047	445,726	35,549,447	8,013,950
Other post employment benefits	869,856	48,996	3,930,809	830,383
Landfill closure/postclosure costs	10,013,752	-	10,013,752	-
Total noncurrent liabilities	67,651,729	495,610	883,259,747	11,692,418
Total liabilities	77,889,599	560,683	978,263,313	22,730,294
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	104,190	6,865	525,746	118,519
Total deferred inflows of resources	104,190	6,865	525,746	118,519
NET POSITION:				
Net investment in capital assets	19,149,622	14,874,980	502,801,204	6,478,024
Restricted for debt service	-	-	2,671,250	-
Restricted for capital acquisition	-	-	8,844,957	-
Unrestricted	2,843,437	2,850,326	136,436,915	7,125,408
Total net position	$ 21,993,059	$ 17,725,306	$ 650,754,326	$ 13,603,432
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			8,754,974	
Net position of business-type activities (Exhibit I)			$ 659,509,300	

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	$ 168,797,350	$ 35,122,575	$ 29,342,387
Charges for goods and services	-	-	-
Other fees	3,229,730	1,210,679	1,607,942
Miscellaneous	-	-	-
Total operating revenues	172,027,080	36,333,254	30,950,329
OPERATING EXPENSES:			
Operating expenses before depreciation	146,747,594	17,790,036	17,918,132
Depreciation	12,056,412	7,621,963	7,406,247
Total operating expenses	158,804,006	25,411,999	25,324,379
Operating income (loss)	13,223,074	10,921,255	5,625,950
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	2,113,437	599,007	438,025
Interest expense and fiscal charges	(14,548,281)	(2,517,523)	(1,023,195)
Impact fee revenue	-	4,998,752	2,410,274
Gain (loss) on disposal of capital assets	(560,477)	60,764	190,303
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	-	189,738	28,821
Total non-operating revenues (expenses)	(12,995,321)	3,330,738	2,044,228
Income (loss) before contributions and transfers	227,753	14,251,993	7,670,178
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	5,362,783	10,298,946
Transfers in	3,000	12,200	740,803
Transfers out	(968,616)	(948,030)	(610,244)
Total contributions and transfers	(965,616)	4,426,953	10,429,505
Change in net position	(737,863)	18,678,946	18,099,683
Net position at beginning of year	167,582,416	213,801,755	193,611,024
Total net position at end of year	$ 166,844,553	$ 232,480,701	$ 211,710,707

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Utility services	$ 33,387,274	$ -	$ 266,649,586	$ -
Charges for goods and services	-	793,631	793,631	65,126,856
Other fees	460,319	-	6,508,670	-
Miscellaneous	-	95,470	95,470	1,058,819
Total operating revenues	33,847,593	889,101	274,047,357	66,185,675
OPERATING EXPENSES:				
Operating expenses before depreciation	25,342,233	1,291,801	209,089,796	68,322,882
Depreciation	7,259,584	640,979	34,985,185	2,624,742
Total operating expenses	32,601,817	1,932,780	244,074,981	70,947,624
Operating income (loss)	1,245,776	(1,043,679)	29,972,376	(4,761,949)
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	281,604	39,562	3,471,635	146,875
Interest expense and fiscal charges	(1,349,352)	-	(19,438,351)	(66,518)
Impact fee revenue	-	-	7,409,026	-
Gain (loss) on disposal of capital assets	132,674	-	(176,736)	19,777
Gas well revenues	-	606,518	606,518	-
Other non-operating revenues (expenses)	-	22,447	241,006	-
Total non-operating revenues (expenses)	(935,074)	668,527	(7,886,902)	100,134
Income (loss) before contributions and transfers	310,702	(375,152)	22,085,474	(4,661,815)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	4,686,160	20,347,889	73,068
Transfers in	582,572	654,175	1,992,750	47,864
Transfers out	(332,800)	(50,000)	(2,909,690)	-
Total contributions and transfers	249,772	5,290,335	19,430,949	120,932
Change in net position	560,474	4,915,183	41,516,423	(4,540,883)
Net position at beginning of year	21,432,585	12,810,123	609,237,903	18,144,315
Total net position at end of year	$ 21,993,059	$ 17,725,306	$ 650,754,326	$ 13,603,432

Change in fund net position of proprietary funds	41,516,423
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.	(2,464,337)
Change in net position of business-type activities (Exhibit II)	$ 39,052,086

The notes to the basic financial statements are an integral part of this statement. (concluded)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 171,719,665	$ 35,403,856	$ 30,810,634
Cash paid to employees for services	(15,044,676)	(9,586,428)	(7,141,807)
Cash paid to suppliers	(113,433,035)	(7,693,819)	(11,133,669)
Net cash provided (used) by operating activities	43,241,954	18,123,609	12,535,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(916,266)	(948,030)	(610,244)
Transfers in	-	12,200	505,803
Principal payments on non-capital debt	(3,675,000)	-	-
Interest and fiscal charges on non-capital debt	(2,403,562)	-	-
Net cash used by noncapital financing activities:	(6,994,828)	(935,830)	(104,441)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	312,347,295	-	-
Principal payments on capital debt	(10,280,000)	(7,075,000)	(4,465,000)
Interest and fiscal charges	(12,163,744)	(3,614,720)	(1,587,645)
Principal payments under capital lease obligation	-	-	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	4,998,752	2,410,274
Proceeds from sale of capital assets	53,423	81,598	190,303
Acquisition and construction of capital assets	(202,356,537)	(8,899,885)	(8,827,458)
Net cash used by capital financing activities	87,600,437	(14,509,255)	(12,279,526)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	60,229,889	46,018,709	34,941,962
Purchase of investment securities	(172,072,061)	(49,627,254)	(36,003,132)
Interest received on investments	1,601,235	604,816	450,368
Net cash provided (used) by investing activities	(110,240,937)	(3,003,729)	(610,802)
Net increase (decrease) in cash and cash equivalents	13,606,626	(325,205)	(459,611)
Cash and cash equivalents at beginning of year	18,896,356	9,426,539	6,966,222
Cash and cash equivalents at end of year	32,502,982	9,101,334	6,506,611
Investments, at fair value (Note IV.A.)	238,439,622	66,715,404	47,729,846
Cash, cash equivalents and investments, at fair value	$ 270,942,604	$ 75,816,738	$ 54,236,457
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 13,223,074	$ 10,921,255	$ 5,625,950
Adjustments:			
Depreciation expense	12,056,412	7,621,963	7,406,247
Decrease (Increase) in receivables	103,331	(823,306)	(176,203)
Increase in interfund receivables	(410,746)	(106,092)	36,508
Increase in inventories	-	-	-
Decrease (Increase) in prepaid items	31,020,701	15,054	-
Decrease (Increase) in other assets	(26,930,415)	-	-
Increase in escrow deposits	-	-	-
Increase (Decrease) in accounts payable	13,068,537	(172,902)	(792,563)
Increase (Decrease) in compensated absences payable	(25,388)	52,668	(28,890)
Increase (Decrease) in net municipal pension balances	815,381	363,283	279,079
Increase in other post employment benefits	321,067	251,686	185,030
Increase in closure/postclosure liability	-	-	-
Increase in interfund payables	-	-	-
Total adjustments	30,018,880	7,202,354	6,909,208
Net cash provided (used) by operating activities	$ 43,241,954	$ 18,123,609	$ 12,535,158
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(479,575)	(149,707)	(107,956)
Increase (Decrease) in equity due to non-cash transfers	(49,350)	-	-
Capital asset contributions	-	5,362,783	10,298,946

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit X

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 33,562,315	$ 857,136	$ 272,353,606	$ 65,930,287
Cash paid to employees for services	(10,423,460)	(509,184)	(42,705,555)	(11,318,415)
Cash paid to suppliers	(12,876,811)	(806,195)	(145,943,529)	(56,237,241)
Net cash provided (used) by operating activities	10,262,044	(458,243)	83,704,522	(1,625,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(97,800)	(50,000)	(2,622,340)	-
Transfers in	582,572	654,175	1,754,750	47,864
Principal payments on non-capital debt	-	-	(3,675,000)	-
Interest and fiscal charges on non-capital debt	-	-	(2,403,562)	-
Net cash used by noncapital financing activities:	484,772	604,175	(6,946,152)	47,864
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	15,647,662	-	327,994,957	569,143
Principal payments on capital debt	(7,386,020)	-	(29,206,020)	(623,863)
Interest and fiscal charges	(1,925,529)	54	(19,291,584)	(70,378)
Principal payments under capital lease obligation	-	-	-	(768,799)
Proceeds from gas wells	-	580,726	580,726	-
Proceeds from impact fees	-	-	7,409,026	-
Proceeds from sale of capital assets	345,529	-	670,853	9,370
Acquisition and construction of capital assets	(12,653,076)	(829,289)	(233,566,245)	(934,761)
Net cash used by capital financing activities	(5,971,434)	(248,509)	54,591,713	(1,819,288)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	18,986,126	1,985,571	162,162,257	15,046,364
Purchase of investment securities	(23,797,870)	(1,965,427)	(283,465,744)	(12,430,170)
Interest received on investments	269,852	40,799	2,967,070	166,944
Net cash provided (used) by investing activities	(4,541,892)	60,943	(118,336,417)	2,783,138
Net increase (decrease) in cash and cash equivalents	233,490	(41,634)	13,013,666	(613,655)
Cash and cash equivalents at beginning of year	4,870,290	448,286	40,607,693	2,780,660
Cash and cash equivalents at end of year	5,103,780	406,652	53,621,359	2,167,005
Investments, at fair value (Note IV.A.)	37,436,571	2,983,172	393,304,615	15,795,432
Cash, cash equivalents and investments, at fair value	$ 42,540,351	$ 3,389,824	$ 446,925,974	$ 17,962,437
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 1,245,776	$ (1,043,679)	$ 29,972,376	$ (4,761,949)
Adjustments:				
Depreciation expense	7,259,584	640,979	34,985,185	2,624,742
Decrease (Increase) in receivables	(247,323)	(31,965)	(1,175,466)	(235,388)
Increase in interfund receivables	-	-	(480,330)	-
Increase in inventories	-	-	-	(1,143,268)
Decrease (Increase) in prepaid items	-	-	31,035,755	(102,268)
Decrease (Increase) in other assets	-	-	(26,930,415)	-
Increase in escrow deposits	-	-	-	(20,000)
Increase (Decrease) in accounts payable	(1,419,518)	(54,030)	10,629,524	522,906
Increase (Decrease) in compensated absences payable	31,602	1,963	31,955	63,444
Increase (Decrease) in net municipal pension balances	373,163	18,561	1,849,467	417,921
Increase in other post employment benefits	216,867	9,928	984,578	213,742
Increase in closure/postclosure liability	2,801,893	-	2,801,893	-
Increase in interfund payables	-	-	-	794,749
Total adjustments	9,016,268	585,436	53,732,146	3,136,580
Net cash provided (used) by operating activities	$ 10,262,044	$ (458,243)	$ 83,704,522	$ (1,625,369)
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(82,444)	(6,795)	(826,477)	(37,390)
Increase (Decrease) in equity due to non-cash transfers	-	-	(49,350)	-
Capital asset contributions	-	4,686,160	20,347,889	73,068

The notes to the basic financial statements are an integral part of this statement. (concluded)

CITY OF DENTON, TEXAS **Exhibit XI**
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF SEPTEMBER 30, 2017

	Agency Fund
ASSETS:	
Cash, cash equivalents and investments, at fair value	**$ 182,026**
Total assets	**$ 182,026**
LIABILITIES:	
Accounts payable	**182,026**
Total liabilities	**$ 182,026**

The notes to the basic financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting entity

An elected seven-member council consisting of a mayor and six councilpersons govern the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2017.

B. Government-wide and fund financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined)

for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The City's fiduciary funds are presented in the fund financial statements. By definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, and as such, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax, franchise fees, sales tax and other taxes associated with the current fiscal period are all susceptible to accrual and so have been recognized as revenues of the current fiscal period. All of the other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary-basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

Other governmental funds are a summarization of all of the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

Agency funds are used to account for the payment of developers' escrow funds and other similar liabilities. The City holds the assets in an agency capacity for individuals, private organizations or other governments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.

3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Recreation Fund, Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds that is generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, liabilities and net position or equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all of the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds on a monthly basis.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September, but not billed at September 30, 2017.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. During the recent fiscal years the City prepaid certain contractual obligations to the Texas Municipal Power Agency (TMPA) relating to the cost of TMPA providing energy to the City. The benefit from the prepayment is being amortized over the benefit period of 15 years, of which 7.5 years is remaining in the electric fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. During the current fiscal year the City impaired its TMPA prepaid purchase power due to a change in seasonality generation. Of the $43,378,333 balance in TMPA prepaid purchase power outstanding as of September 30, 2017, as part of the City's total prepaid balance in the electric fund, $26,930,415 was impaired and recorded as an Other Asset to be amortized over 7.5 years in the electric fund. See footnote V.E. *Agreement with TMPA* for further information regarding this change with TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and also shown as restricted on the balance sheet of the Water and Wastewater funds.

7. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities and enterprise funds is included as part of the capitalized value of the assets constructed. For 2017, net interest capitalization of $6,029,676 was recorded for electric fund projects, $507,809 for water fund projects, $529,779 for wastewater fund projects, and $183,620 for solid waste fund projects.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation up to 320 hours (480 for Civil Service Fire employees.) Upon termination, any accumulated vacation time will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund equity

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

*Nonspendable fund balance*s – includes amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprises amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

13. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

14. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

15. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred charges on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension deficit earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2016) and will be fully recognized in the next period on the next measurement date (December 2017).
- Deferred pension actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City has two types of items qualifying for reporting in this category:

- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds." The details of this ($23,093,982) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	$(27,440,000)
Issuance of certificates of obligation	(16,815,000)
Assumption of Airport debt	(4,430,469)
Principal repayments:	
General obligation debt principal retirement	8,745,118
Certificates of obligation principal retirement	5,500,000
Refunded debt principal	11,240,000
Lease obligations principal retirement	106,369
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$(23,093,982)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position." The details of this $9,039,192 difference are as follows:

Net effect of transactions involving asset retirements/disposals	$ (279,874)
Capital assets transferred to business-type activities as capital contributions	(119,560)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	9,438,626
Net adjustment to increase net changes in fund balances - total governmental funds	$ 9,039,192

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the ($5,512,724) difference are as follows:

Compensated absences	$ (558,541)
Net pension liability	2,074,066
Municipal pension deferred actuarial losses	(6,109,798)
Municipal pension deferred contributions	259,135
Municipal pension deferred assumption changes	(364,978)
Municipal pension deferred excess earnings	844,213
Other post employment benefits	(1,483,139)
Accrued interest	(173,682)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$(5,512,724)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit fund equity

The Criminal Justice fund had deficit fund balances of ($19,398) at September 30, 2017. The deficit was a result of reimbursement timing and clears in fiscal year 2017-2018. The Engineering Services internal service fund had a deficit net position of ($1,102,261) due to the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"* which resulted in a significant increase in the net pension liability.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had $84,466,799 in cash and cash equivalents of which $182,026 is included in the agency funds and $16,179 in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 270 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2017 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2017, the City's investments carried a fair value of $704,448,006, of which $59,924,172 is in a local governmental investment pool and $25,000,000 is in an insured cash sweep savings deposit both of which the City classifies in the financial statements as cash equivalents.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input significant to the entire measurement.

At September 30, 2017, the City had the following recurring fair value investments:

		Fair Value Measurement Method			
	9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments Measured at Amortized Cost:					
TexSTAR - Investment Pool	59,924,172			8.51%	1
Insured Cash Sweep Savings	25,000,000			3.55%	1
Certificates of Deposit	151,000,000			21.43%	398
Investments by Fair Value Level:					
Debt Securities:					
U.S. Treasury Securities	54,005,424	54,005,424	-	7.67%	241
U.S. Agency Securities	351,938,910	141,599,392	210,339,518	49.95%	526
Commercial Paper	39,846,205	-	39,846,205	5.66%	98
Municipal Bonds - Coupon	22,733,295	-	22,733,295	3.23%	334
Total Investments	704,448,006	195,604,816	272,919,018		
Portfolio Weighted Average Maturity					383

Of the investments recorded at fair value, $279,394,581 used the documented trade history in exact security pricing model, $15,725,598 used the option-adjusted discounted cash flow pricing model, and $173,403,655 used the present value of expected future cash flow pricing model.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than eighteen months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, Certificates of Deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in the bonds of U.S. agencies were rated AA+ by Standard & Poor's, and the City's investment in TexSTAR were rated "AAAm" by Standard & Poor's.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an

amount insured by FDIC. As of September 30, 2017, the bank balance for deposits was $2,133,899 and was fully collateralized by the City's third party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), U.S. Money Market Mutual Funds (35%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (15%).

TexSTAR. The Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA). TEXSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators. JPMIM provides investment management services, and FirstSouthwest, a division of HTS, provides participant service and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc.

TexSTAR states all investments at amortized cost value. The investment pool has a redemption notice of one day or same day, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	$ 22,935,763	$ 4,751,564	$168,870,622	$ 14,226,424
Change in fair value	(39,236)	(8,128)	(288,886)	(24,336)
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	$ 22,896,527	$ 4,743,436	$168,581,736	$ 14,202,088

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	$ 72,910,431	$42,634,215	$ 36,080,260	$ 8,089,839
Change in fair value	(124,727)	(72,934)	(61,722)	(13,839)
Restricted investments	165,937,787	24,195,514	11,731,377	29,410,884
Change in fair value	(283,869)	(41,391)	(20,069)	(50,313)
Total	$238,439,622	$66,715,404	$ 47,729,846	$ 37,436,571

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	$ 2,688,678	$15,646,476	$388,834,272
Change in fair value	(4,599)	(26,766)	(665,173)
Restricted investments	299,606	176,023	231,751,191
Change in fair value	(513)	(301)	(396,456)
Total	$ 2,983,172	$15,795,432	$619,523,834

B. Property tax revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2017 were 99.48% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2017, the City had a tax rate of $0.683340 per $100 valuation. Based upon the maximum Ad valorem tax of $2.50 per $100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of $1.81666. Additional revenues up to $166,628,606 could be raised per year based on the current year's certified assessed value of $9,172,250,493 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment

in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2017, the total assessed value of $150,021,979 after supplemental adjustments for TIRZ #1 was an increase of $70,665,125 over the base fiscal year 2011 assessed value and resulted in $458,739 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2017, the assessed value of $2,401,349 after supplemental adjustments was an increase of $2,281,891 over the base fiscal year 2014 assessed value and resulted in $6,237 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, $2,267 of property tax revenue was generated for Fiscal Year 2017.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total $40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2017 for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Electric
Receivables:					
Taxes	$ 7,469,233	$ 407,405	$ -	$ 214,671	$ -
Accounts	128,183	-	-	37,051	8,662,796
Accrued interest	114,667	23,756	844,263	71,123	1,194,113
Unbilled utility service	-	-	-	-	9,588,752
Other - EMS Services	3,813,536	-	-	-	-
Other	4,493,371	-	-	274,934	1,594,228
Gross receivables	16,018,990	431,161	844,263	597,779	21,039,889
Less: Allowance for uncollectibles	(4,964,654)	(156,730)	-	(32,282)	(552,881)
Net total receivables	$11,054,336	$ 274,431	$ 844,263	$ 565,497	$ 20,487,008

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 8,091,309
Accounts	1,979,056	1,729,454	1,622,388	52,709	6,535	14,218,172
Accrued interest	334,113	239,035	187,484	14,940	79,104	3,102,598
Unbilled utility service	2,518,450	1,642,663	1,680,224	-	-	15,430,089
Other - EMS Services	-	-	-	-	-	3,813,536
Other	-	-	-	176,042	297,527	6,836,102
Gross receivables	4,831,619	3,611,152	3,490,096	243,691	383,166	51,491,806
Less: Allowance for uncollectibles	(126,308)	(281,778)	(103,545)	(3,575)	(417)	(6,222,170)
Net total receivables	$ 4,705,311	$ 3,329,374	$ 3,386,551	$ 240,116	$ 382,749	$ 45,269,636

D. Capital assets

Capital asset balances and transactions for the year ended September 30, 2017 are summarized below and on the following page.

Governmental activities:	Balance at October 1, 2016	Increases	Transfers and Decreases	Balance at September 30, 2017
Capital assets not being depreciated:				
Land	$ 16,511,038	$ 5,167,958	$ -	$ 21,678,996
Construction in progress	55,954,816	39,503,499	(38,776,653)	56,681,662
Total capital assets not being depreciated	72,465,854	44,671,457	(38,776,653)	78,360,658
Capital assets being depreciated:				
Buildings	60,198,181	6,652,860	-	66,851,041
Infrastructure	247,724,610	22,088,767	(26,275)	269,787,102
Machinery, equipment, and other improvements	96,103,422	13,855,022	(5,319,803)	104,638,641
Total capital assets being depreciated	404,026,213	42,596,649	(5,346,078)	441,276,784
Less accumulated depreciation for:				
Buildings	25,016,438	1,662,662	-	26,679,100
Infrastructure	153,559,659	8,793,598	-	162,353,257
Machinery, equipment, and other improvements	60,825,440	8,226,074	(5,103,856)	63,947,658
Total accumulated depreciation	239,401,537	18,682,334	(5,103,856)	252,980,015
Total capital assets, being depreciated, net	164,624,676	23,914,315	(242,222)	188,296,769
Governmental activities capital assets, net	$ 237,090,530	$ 68,585,772	$ (39,018,875)	$ 266,657,427

(continued)

Business-type activities:	Balance at October 1, 2016	Increases	Transfers and Decreases	Balance at September 30, 2017
Capital assets not being depreciated:				
Land	$ 27,181,732	$ 2,230,870	$ -	$ 29,412,602
Construction in progress	236,954,779	234,290,618	(115,812,033)	355,433,364
Total capital assets not being depreciated	264,136,511	236,521,488	(115,812,033)	384,845,966
Capital assets being depreciated:				
Buildings	19,811,055	4,152,892	-	23,963,947
Landfill improvements	25,733,757	1,308,890	-	27,042,647
Water rights	69,883,098	-	-	69,883,098
Infrastructure	483,042,987	35,986,864	26,275	519,056,126
Plant, machinery, equipment, and other improvements	366,045,897	86,948,283	(5,876,057)	447,118,123
Total capital assets being depreciated	964,516,794	128,396,929	(5,849,782)	1,087,063,941
Less accumulated depreciation for:				
Buildings	7,371,790	582,856	-	7,954,646
Landfill improvements	20,397,268	2,933,670	-	23,330,938
Water rights	19,052,407	695,989	-	19,748,396
Infrastructure	143,414,747	12,190,652	-	155,605,399
Plant, machinery, equipment, and other improvements	170,583,430	18,582,018	(5,339,489)	183,825,959
Total accumulated depreciation	360,819,642	34,985,185	(5,339,489)	390,465,338
Total capital assets, being depreciated, net	603,697,152	93,411,744	(510,293)	696,598,603
Business-type activities capital assets, net	$ 867,833,663	$ 329,933,232	$ (116,322,326)	$ 1,081,444,569

Transfers and decreases include $71,332 ($24,840 in related accumulated depreciation) transferred from Governmental Activities to Business-Type Equipment.

Depreciation expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	$ 2,479,806
Public Safety	3,025,318
Public Works	8,574,092
Parks & Recreation	1,978,376
Capital assets held by the internal service funds are charged to the various functions based upon usage	2,624,742
Total depreciation expense - governmental activities	$ 18,682,334
Business-type activities:	
Electric	$ 12,056,412
Water	7,621,963
Wastewater	7,406,247
Solid Waste	7,259,584
Airport	640,979
Total depreciation expense - business-type activities	$ 34,985,185

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2017. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
Denton Energy Center	$ 126,724,201	$ 77,969,569
Mayhill Widening - Phase 4 Construction	3,123,636	33,446,897
Bonnie Brae Widening - Phase 4 Construction	3,314,165	8,538,303
Jim Christal Substation	16,044,299	4,304,082
Landfill Cell 3 Construction	126,625	3,700,358
Bonnie Brae Widening - Phase 1 Engineering	5,151,777	2,447,797
Fire Station #4 Rebuild	4,647,151	1,294,732
Brinker Substation	7,636,925	2,174,688
Fire Training Facility	884,640	1,971,119
Denton North - Arco Transmission Rebuild	334,775	2,006,398
Spencer Interchange Substation Reconstruction	2,006,818	1,631,986
Masch Branch Electrical Switch Station	1,449,290	1,374,722
Mayhill Widening - Phase 1 Engineering	5,272,570	1,332,142
New Landfill Entrance Road Construction	310,209	1,330,750

E. Interfund receivables, payables and transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2017, is as follows:

	Interfund Receivables:					
	Governmental Major Funds		Business-Type Major Funds			
Interfund Payables:	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater	Total
Non-Major Governmental Funds	$ 392	$ -	$ -	$ -	$ -	$ 392
Internal Service Funds	549	-	3,714	622	215	5,100
Total	$ 941	$ -	$ 3,714	$ 622	$ 215	$ 5,492

The more significant interfund receivables and payables include the following:

Interfund receivables	Interfund payables	Amount
Electric fund	Internal service funds-materials management	$ 3,714,053
Water fund	Internal service funds-materials management	621,449
General fund	Internal service funds-materials management	549,316
Wastewater fund	Internal service funds-materials management	215,182
General fund	Non-Major Governmental Funds	391,722

The outstanding balances between the Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:								
	Governmental Major Funds			Business-Type Major Funds					
Transfers In:	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund	Total
Governmental Major Funds:									
General Fund	$ -	$ -	$ 74	$ -	$ -	$ -	$ -	$ -	$ 74
Debt Service Fund	-	-	125	-	-	233	-	-	358
Capital Projects Fund	6,183	-	2,054	295	270	256	48	-	9,106
Non-Major Governmental Funds	105	194	-	669	200	101	-	50	1,319
Electric Fund	-	-	-	-	-	3	-	-	3
Water Fund	-	-	-	-	-	12	-	-	12
Wastewater Fund	-	-	-	-	461	-	280	-	741
Solid Waste Fund	-	-	583	-	-	-	-	-	583
Airport Fund	-	-	654	-	-	-	-	-	654
Internal Service Funds	5	11	-	5	17	5	5	-	48
Total	$ 6,293	$ 205	$ 3,490	$ 969	$ 948	$ 610	$ 333	$ 50	$12,898

The more significant transfers include the following:

Transfers from fund	Transfers to fund	Amount
General Fund	Capital Projects	$6,183,326
Non-Major Gov't – Other Special Revenue Funds	Capital Projects	1,242,529
Non-Major Gov't – Other Special Revenue Funds	Business-type Major Funds	1,236,747
Business-type Major Funds	Non-Major Gov't – Street Improvements	964,276
Non-Major Gov't – Street Improvements	Capital Projects	498,647
Water	Wastewater	460,803

Transfers from the General Fund, from the Non-Major Governmental Fund – Other Special Revenue Funds, and from the Non-Major Governmental Fund – Street Improvements to the Capital Projects Fund were to fund capital projects. Transfers from the Non-Major Governmental Fund – Other Special Revenue Funds to the Business-type Major Funds were related to grant activities in the Airport and Solid Waste Funds. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvements were for bond savings costs related to the issuance of certificates of obligation, which fund street maintenance operations in the Street Improvements Fund. Transfers from the Water Fund to the Wastewater Fund were related to new construction and renovations.

F. Leases

Leases payable represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General Fund and Tech Services funds. These leases are recorded as capital leases. Remaining requirements, including interest, under these leases are as follows:

Year	Payments
2018	$ 505,055
2019	4,171
Total minimum lease payments	$ 509,226
Less: amount representing interest	11,164
Present value of minimum future lease payments	$ 498,062

The following schedule provides an analysis of the City's investments in equipment under capital lease arrangements as of September 30, 2017:

Equipment	$ 8,931,366
Less: Accumulated Depreciation	(8,524,967)
Total	$ 406,399

G. Long-term debt

Long-term liabilities transactions for the year ended September 30, 2017 are summarized as follows below and on the following pages:

	Balance at October 1, 2016	Increases	Decreases / Transfers	Balance at September 30, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 109,861,174	$ 27,825,000	$ 19,418,511	$ 118,267,663	$ 9,854,727
Certificates of obligation	34,565,000	17,000,000	2,280,000	49,285,000	5,810,000
Obligations under capital leases	1,373,230	-	875,168	498,062	493,891
Compensated absences payable	11,469,135	7,329,966	6,707,982	12,091,119	5,636,305
Claims payable	4,071,404	23,465,753	23,203,144	4,334,013	2,237,139
Net pension liability	71,562,651	21,830,031	23,790,353	69,602,329	-
Other post employment benefits	5,401,904	2,027,786	330,905	7,098,785	-
Unamortized premium/(discounts)	9,250,763	3,334,919	1,591,505	10,994,177	1,654,874
Total governmental long-term liabilities	$ 247,555,261	$ 102,813,455	$ 78,197,568	$ 272,171,148	$ 25,686,936

	Balance at October 1, 2016	Increases	Decreases / Transfers	Balance at September 30, 2017	Due Within One Year
Business-type Activities:					
Revenue bonds	$ -	$ 214,890,000	$ -	$ 214,890,000	$ -
General obligation bonds	141,063,826	1,280,000	14,666,489	127,677,337	16,330,273
Certificates of obligation	416,465,000	73,800,000	22,645,000	467,620,000	21,945,000
Compensated absences payable	3,006,880	2,751,998	2,720,043	3,038,835	2,537,074
Net pension liability	35,062,028	12,447,613	11,960,194	35,549,447	-
Other post employment benefits	2,946,231	1,178,262	193,684	3,930,809	-
Landfill closure/post-closure	7,211,859	2,801,893	-	10,013,752	-
Unamortized premium/(discounts)	38,514,640	38,024,957	7,510,060	69,029,537	7,677,623
Total business-type activities	644,270,464	347,174,723	59,695,470	931,749,717	48,489,970
Total long-term liabilities	$ 891,825,725	$ 449,988,178	$ 137,893,038	$ 1,203,920,865	$ 74,176,906

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund, with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represents an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds.

General bonded debt - General bonded debt at September 30, 2017, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2017
General obligation	4.0 to 4.75	2008	2028	$ 7,300,000	$ 345,000
General obligation	3.8 to 4.3	2010	2030	4,115,000	3,085,000
General obligation refunding	2.0 to 4.75	2011	2031	2,225,000	1,750,000
General obligation refunding	2.0 to 5.0	2012	2032	14,358,739	10,705,000
General obligation refunding	2.0 to 4.0	2013	2033	10,221,023	8,327,663
General obligation refunding	2.0 to 3.5	2014	2034	7,165,000	4,460,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	34,635,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	27,135,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	27,825,000
Total general obligation bonds				136,954,762	118,267,663
Certificates of obligation	3.0 to 4.625	2008	2028	$ 7,865,000	$ 460,000
Certificates of obligation	2.0 to 5.0	2010	2030	2,790,000	720,000
Certificates of obligation	2.0 to 5.0	2011	2031	3,455,000	865,000
Certificates of obligation	2.0 to 5.0	2012	2032	4,490,000	1,090,000
Certificates of obligation	3.0 to 4.0	2013	2033	10,805,000	8,695,000
Certificates of obligation	2.0 to 5.0	2014	2039	8,635,000	8,065,000
Certificates of obligation	2.0 to 5.0	2015	2034	7,420,000	5,850,000
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	6,540,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	17,000,000
Total certificates of obligation				69,650,000	49,285,000
Total general bonded debt				$ 206,604,762	$ 167,552,663

[These amounts do not include net unamortized premiums/ (discounts) of $10,994,177 nor net deferred gain/ (loss) on refunding of ($2,031,132).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In prior years, the City defeased general obligation bonds and certificates of obligation by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased debt are not included in the City's financial statements. On September 30, 2017 $4,510,000 of general obligation bonds and $2,400,000 of certificates of obligation considered defeased are still outstanding.

In May 2017, the City issued $90,800,000 ($73,800,000 of which is included as part of business type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund ($17,000,000), Electric ($60,820,000), and Solid Waste ($12,980,000).

In May 2017, the City issued $29,105,000 ($1,280,000 of which is included as part of business-type activities) of general obligation refunding and improvement bonds. The refunding portion of the bonds' reacquisition price exceeded the net carrying amount of the old debt by $307,304 ($43,088 of which is reported as a loss

in business-type activities). This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 6 years by $862,067 and resulted in a net present value savings of $828,733. The improvement portion of the bonds was issued to pay the costs of various capital improvements in the Capital Projects Fund for $16,590,000.

Business-type revenue bonds – Revenue bond debt at September 30, 2017, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2017
Utility system	3.25 to 5.0	2017	2037	$ 214,890,000	$ 214,890,000
Total revenue bonds				$ 214,890,000	$ 214,890,000

[These amounts do not include net unamortized premiums/(discounts) of $30,379,082.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of $2,671,250 as of September 30, 2017 and is restricted for debt service.

In prior years, the City defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2017, $20,290,000 of revenue bonds considered defeased are still outstanding.

In January 2017, the City issued $214,890,000 (all of which is included as part of business-type activities) in revenue bond debt. The debt was issued to acquire and construct additions and improvements to the City’s electric light and power system including new quick start peak power generation facilities.

Business-type general obligation bonds and certificates of obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2017, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2017
General obligation refunding	3.0 to 5.0	2010	2022	$ 35,815,000	$ 17,075,000
General obligation refunding	2.0 to 4.75	2011	2031	8,620,000	2,130,000
General obligation refunding	2.0 to 5.0	2012	2032	19,231,261	13,425,000
General obligation refunding	2.0 to 4.0	2013	2033	513,977	402,337
General obligation refunding	3.0 to 5.0	2014A	2039	27,155,000	24,330,000
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	1,035,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	28,280,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	1,295,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	38,425,000
General obligation refunding	3.0 to 5.0	2017	2022	1,280,000	1,280,000
Total general obligation bonds				167,810,238	127,677,337
Certificates of obligation	4.0 to 5.0	2008	2028	2,820,000	45,000
Certificates of obligation	2.0 to 5.0	2010	2030	58,295,000	40,270,000
Certificates of obligation	2.0 to 5.0	2010	2025	58,820,000	36,435,000
Certificates of obligation	2.0 to 5.0	2011	2031	28,645,000	19,225,000
Certificates of obligation	2.0 to 5.0	2012	2032	40,185,000	29,265,000
Certificates of obligation	3.0 to 4.0	2013	2033	52,715,000	41,280,000
Certificates of obligation	2.0 to 5.0	2014	2039	80,545,000	72,565,000
Certificates of obligation	2.0 to 5.0	2015	2034	85,595,000	80,645,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	74,090,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	73,800,000
Total certificates of obligation				557,535,000	467,620,000
Total business-type G.O./C.O. bonds				$ 725,345,238	$ 595,297,337

[These amounts do not include net unamortized premiums/ (discounts) of $38,650,455 nor net deferred gain/ (loss) on refunding of ($4,407,982.]

Schedule of long-term debt maturities

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2017 are shown below:

Governmental Activities:

	General Obligation		Certificates of Obligation		Capital Leases		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 9,854,727	$ 4,431,196	$ 5,810,000	$ 2,133,660	$ 493,891	$ 11,164	$ 16,158,618	$ 6,576,020
2019	9,614,980	4,060,101	5,035,000	1,784,850	4,171	-	14,654,151	5,844,951
2020	9,220,424	3,669,501	4,825,000	1,571,837	-	-	14,045,424	5,241,338
2021	9,290,678	3,269,757	4,230,000	1,361,513	-	-	13,520,678	4,631,270
2022	8,765,878	2,871,189	3,650,000	1,171,175	-	-	12,415,878	4,042,364
2023-2027	35,570,976	9,531,868	10,960,000	4,119,819	-	-	46,530,976	13,651,687
2028-2032	21,340,000	4,308,112	9,070,000	2,000,834	-	-	30,410,000	6,308,946
2033-2037	14,610,000	995,184	5,705,000	412,047	-	-	20,315,000	1,407,231
Total	$ 118,267,663	$ 33,136,908	$ 49,285,000	$ 14,555,735	$ 498,062	$ 11,164	$ 168,050,725	$ 47,703,807

Business-Type Activities:

	General Obligation		Certificates of Obligation		Revenue		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 16,330,273	$ 5,490,642	$ 21,945,000	$ 19,773,437	$ -	$ 10,685,000	$ 38,275,273	$ 35,949,079
2019	18,990,020	4,675,888	22,790,000	18,239,294	-	10,685,000	41,780,020	33,600,182
2020	19,914,576	3,793,394	23,210,000	17,184,794	7,580,000	10,495,500	50,704,576	31,473,688
2021	17,019,322	2,942,088	22,465,000	16,099,082	7,970,000	10,106,750	47,454,322	29,147,920
2022	15,124,122	2,156,195	22,310,000	15,043,049	8,375,000	9,698,125	45,809,122	26,897,369
2023-2027	33,569,024	4,252,700	102,735,000	60,912,479	48,695,000	41,682,125	184,999,024	106,847,304
2028-2032	6,730,000	285,500	94,750,000	39,791,438	62,290,000	28,092,500	163,770,000	68,169,438
2033-2037	-	-	58,055,000	24,232,513	79,980,000	10,397,250	138,035,000	34,629,763
2038-2042	-	-	54,640,000	14,198,175	-	-	54,640,000	14,198,175
2043-2047	-	-	44,720,000	3,322,122	-	-	44,720,000	3,322,122
Total	$ 127,677,337	$ 23,596,407	$ 467,620,000	$ 228,796,383	$ 214,890,000	$ 131,842,250	$ 810,187,337	$ 384,235,040

[These amounts do not include net unamortized premiums/ (discounts) of $80,023,714 nor net deferred gain/ (loss) on refunding of ($6,439,114).]

Bonds authorized and unissued

General obligation bonds authorized but unissued as of September 30, 2017 amounted to $53,785,000. When issued, the proceeds will be allocated to the applicable street, public safety, drainage, and parks projects.

H. Landfill closure and post-closure cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on a model created by a 2017 engineering study, total landfill closure and post-closure cost increased from $16,706,340 at September 30, 2016 to $20,351,142 at September 30, 2017. The $10,013,752 reported as landfill closure and post-closure care liability is a $2,801,893 increase from the $7,211,859 liability reported on September 30, 2016. This liability represents the cumulative amount incurred to date based on the use of 46.9% of the estimated capacity of the entire landfill at September 30, 2017.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is $16,590,680. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2017. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 11 years, and the City expects to close the landfill in fiscal year 2028.

The solid waste fund has provided for a reservation and designation of cash and investments of $8,654,114 at September 30, 2017, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

V. OTHER INFORMATION

A. Pension plans

Texas Municipal Retirement Plan

Plan description

The City of Denton participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly-available comprehensive annual financial report (CAFR) obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times and employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the City. Monetary credits for service since the plan began (or current service credits) are a percent (200%) of the employee's accumulated contributions. In addition, the City grants on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (7%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, and increased by the city match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	520
Inactive employees entitled to but not yet receiving benefits	478
Active employees	1,245
Total	2,243

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.23% and 17.30% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $14,648,606 and were equal to the required contributions.

Net pension liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal

(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 409,277,260	$ 324,618,549	$ 84,658,711
Changes for the year:			
Service cost	13,925,238	-	13,925,238
Interest	27,656,654	-	27,656,654
Difference between expected and actual experience	763,589	-	763,589
Contributions - employer	-	14,046,860	(14,046,860)
Contributions - employee	-	5,712,464	(5,712,464)
Net investment income	-	21,947,635	(21,947,635)
Benefit payments, including refunds of employee contributions	(13,023,330)	(13,023,330)	-
Administrative expense	-	(247,766)	247,766
Other changes	-	(13,349)	13,349
Net changes	29,322,151	28,422,514	899,637
Balance at 12/31/2016	$ 438,599,411	$ 353,041,063	$ 85,558,348

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 151,647,722	$ 85,558,348	$ 31,623,977

Pension plan fiduciary net position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2017, the City recognized pension expense of $19,051,014. This amount is included as part of personal services expenses.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 14,589,173	$ (28,706)
Contributions subsequent to the measurement date	11,269,409	-
Differences between expected and actual economic experience	613,276	(984,869)
Difference in assumption changes	-	(256,929)
Total	$ 26,471,858	$ (1,270,504)

$11,269,409 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2017	$ 4,832,223
2018	4,832,224
2019	4,112,336
2020	143,138
2021	12,024
Total	$13,931,945

Supplemental death benefit fund

The City of Denton also participates in the cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the TMRS Pension Trust Fund.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined by an annual actuarial valuation and is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the

SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for OPEB.

The City's contributions to the TMRS SDBF for the fiscal years ended September 30, 2015, 2016, and 2017, were $133,686, $149,630, and $152,556, respectively, which equaled the required contributions each year.

Denton Firemen's Relief and Retirement Plan

Plan description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. As of the December 31, 2015 actuarial valuation date, the plan effective January 1, 2011 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the member will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees covered by benefit terms

In the December 31, 2015 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	2
Active employees	176
Total	262

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to a City ordinance the same percentage of payroll the City contributes to the Texas Municipal Retirement System for other employees each calendar year. The City contribution rate was 17.41% in calendar year 2016 and 17.48% in calendar year 2017 until mid-December when the rate changed to 18.5%. The December 31, 2015 actuarial valuation includes the assumption that the city contribution rate will average 15.5% over the UAAL amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2017 were $2,814,029.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects investments and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the calendar year ending December 31, 2016, the money-weighted rate of return on pension plan investments was 10.17%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net pension liability

The City of Denton's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and rolled forward to December 31, 2016.

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.00%) and by adding expected inflation (2.50%). In addition, the final 6.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.75% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	5.90%
Small/Mid Cap Domestic	10.0%	6.40%
International Developed	10.0%	6.40%
Alternatives		
Master Limited Partnerships	8.0%	7.90%
Real Estate	15.0%	4.40%
Fixed Income	10.0%	0.90%
Cash	7.0%	0.00%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2015 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 32 years. Because of the 32-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 89,942,685	$ 67,976,717	$ 21,965,968
Changes for the year:			
Service cost	3,089,911	-	3,089,911
Interest	6,135,588	-	6,135,588
Contributions - employer	-	2,759,844	(2,759,844)
Contributions - employee	-	1,997,155	(1,997,155)
Net investment income	-	6,935,215	(6,935,215)
Benefit payments, including refunds of employee contributions	(4,270,006)	(4,270,006)	-
Administrative expense	-	(94,175)	94,175
Other changes	-	-	-
Net changes	4,955,493	7,328,033	(2,372,540)
Balance at 12/31/2016	$ 94,898,178	$ 75,304,750	$ 19,593,428

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 31,679,502	$ 19,593,428	$ 9,414,393

Pension plan fiduciary net position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2017, the City recognized pension expense of $3,983,918. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 5,058,092	$ (1,866,823)
Contributions subsequent to the measurement date	2,152,993	-
Differences between expected and actual economic experience	-	(1,641,453)
Difference in assumption changes	1,855,036	-
Total	$ 9,066,121	$ (3,508,276)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $2,152,993 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 and the City's fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2017	$ 1,263,085
2018	1,263,085
2019	1,214,160
2020	(439,253)
2021	27,452
Thereafter	76,323
Total	$ 3,404,852

B. Post-employment benefits other than pensions (OPEB)

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. According to the requirements of GASB Statement No. 45 for the fiscal year ended September 30, 2017, the City recognizes the cost of post-employment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year ending September 30, 2008.

Plan description

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since

an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Funding policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Annual OPEB costs and Net OPEB obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2017:

Annual required contribution	$ 3,438,549
Interest on prior year net OPEB obligation	333,925
Adjustment to annual required contribution	(566,426)
Annual OPEB cost	3,206,048
Contributions made	(524,589)
Increase in net OPEB obligation	2,681,459
Net OPEB obligation - beginning of year	8,348,135
Net OPEB obligation - end of year	$11,029,594
Percentage of OPEB costs contributed	16.4%

Funded status and funding progress

The funded status of the plan as of the actuarial measurement date of December 31, 2015 was as follows:

Actuarial accrued liability	$ 25,361,327
Actuarial value of plan assets	-
Unfunded actuarial accued liability	$ 25,361,327
Funded ratio	0.0%
Covered payroll	$ 98,668,427
Unfunded actuarial accrued liability as a percentage of covered payroll	25.7%

Three-Year Trend Information for OPEB Funding

Year ending	9/30/2017	9/30/2016	9/30/2015
Annual OPEB costs	$ 3,206,048	$ 3,279,833	$ 1,716,639
Actual contributions	$ 524,589	$ 630,522	$ 671,072
Percent contributed	16.4%	19.2%	39.1%
Net OPEB obligation	$11,029,594	$ 8,348,135	$ 5,698,824

The schedule of funding progress, presented as "Required Supplementary Information" (Exhibit XIII) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial methods and assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The Projected Unit Credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation as shown on the following page were as follows:

Actuarial Assumptions

	12/31/15
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Amortization period	22 years, closed
Asset valuation method	N/A
Investment rate of return	4.0%, net of expenses
Inflation rate	2.5%
Payroll growth	N/A
Healthcare inflation rate	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years

Medical reimbursements

The federal government may provide the city subsidy per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. As the City does not participate in these subsidies, any current and future year subsidies are not recognized as a reduction to the actuarial accrued liability.

C. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2016 and 2017, the plan, available to all permanent City employees, permitted them to defer, until future years, up to $18,000. Employees who are age 50 or older may contribute an amount not to exceed $24,000. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of $36,000. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City’s financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid for each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims or general liability. Commercial liability insurance coverage is purchased for airport operations, emergency medical services, take-home vehicles, and employee theft and dishonesty. Additionally, excess insurance is purchased for general liability, auto liability, public officials, and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration settlement of claims, new claims and other factors. As of September 30, 2017 the estimated value of these liabilities was $4,334,013. Changes in balances of claims liabilities during fiscal years 2017 and 2016 were as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claims Payments	Claims Liability End of Fiscal Year
Workers' Compensation				
2017	$ 1,887,296	$ 1,059,062	$ 1,284,456	$ 1,661,902
2016	2,418,984	51,307	582,995	1,887,296
General Liability				
2017	$ 609,030	$ 442,108	$ 206,366	$ 844,772
2016	523,794	577,677	492,441	609,030
Health Insurance				
2017	$ 1,575,078	$ 21,964,583	$ 21,712,322	$ 1,827,339
2016	1,780,201	20,229,928	20,435,051	1,575,078

On September 30, 2017, the City of Denton held additional amounts in unrestricted net position of $863,295 in the Risk Retention Fund and $4,843,341 in the Health Insurance Fund for payment of claims. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

E. Commitments and contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each of the cities has guaranteed a portion of the unpaid debt based, generally, upon its pro rata share of the energy delivered to consumers in the prior operating year.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%.

As of September 30, 2017, total TMPA long-term debt outstanding was approximately $301,629,000. The City's portion of this debt due to contractual obligations with TMPA is $21,395,608, all due in the next fiscal year ($21,175,395 of principal and $220,213 in related interest).

In January 2016 and again in June 2017, TMPA issued requests for proposals (RFPs) regarding the proposed sale of the agency's generation and transmission assets. Certain proposals received in connection with the 2016 RFP were pursued in 2016 and into 2017, but negotiations were ultimately discontinued. TMPA received additional proposals in the summer and fall of 2017 and is reviewing them.

The proposals involve two cooperating entities, neither of which is a governmental entity. One proposer is interested in ownership of Gibbons Creek, and the other proposer has expressed interest in acquiring a portion of TMPA's transmission facilities. The proposals are under evaluation by TMPA, and negotiations with the proposers have not yet commenced.

TMPA management anticipates, that if any negotiations are pursued with respect to the sale proposals, that (i) none of TMPA's generation assets would be transferred prior to September 1, 2018, and (ii) none of TMPA's transmission assets would be transferred prior to the first date, September 1, 2020, when all transmission debt is subject to optional or mandatory redemption or could otherwise be prepaid.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit, and sets out formulas for making these calculations. Under the JOA, these

ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs. At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA includes a reclamation plan for the mine, requires the development of a decommissioning plan, and sets out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the JOA for these services. A Member City's payment obligations under the JOA are payable exclusively from such electric utility revenues, and constitute an operating expense of its electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities.

Effective October 17, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June-September). This change was authorized by ERCOT through a Notification of Suspension of Operations (NSO) Initial and Final Determination, dated August 2017. Due to the significant decline in service utility of the generation assets, such assets were deemed impaired as of September 30, 2017. The City also impaired its TMPA prepaid purchase power due to the seasonality changes. Of the $43,378,333 balance in TMPA prepaid purchase power outstanding as of September 30, 2017 as part of the City's total prepaid balance in the Electric fund, $26,930,415 was impaired and recorded as an Other Asset to be amortized over 7.5 years.

Selected financial statement information of TMPA is as follows:

	September 30 (Unaudited)	
	2017	2016
	(000s)	(000s)
Operating revenues	$277,155	$ 273,272
Operating expenses	121,245	112,506
Operating income	155,910	160,766
Other non-operating sources (uses)	2,922	393
Current unrestricted assets	52,658	59,520
Total assets and deferred outflows	407,095	581,325
Long-term debt – Noncurrent	207,824	299,350
Total liabilities	362,208	548,931
Total net position	44,887	32,394

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 714,286
Capital Projects Fund	56,177,907
Nonmajor Governmental Funds	1,249,777
Total	$ 58,141,970

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. For the fiscal year ended September 30, 2017, the City abated property taxes totaling $876,148 under this program, as detailed in the following agreements:

- Aldi Foods – In 2007, a 100% tax abatement on all new valuation, except land, for a term of up to seven years was granted to Aldi Foods for a 500,000 square foot distribution center. The abatement amount is based on the cost incurred by Aldi to construct a road to the site. The abatement amount for the current fiscal year was $384,478, which was the final abatement on this agreement.
- Target – In 2010, a 65% tax abatement agreement for a $100 million project was granted to Target Corporation for a period of five years for a 400,000 square foot frozen and refrigerated food distribution center and to help offset costs to improve Airport and Corbin roads. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $5 million, the agreement provides for a full refund all abatements previously granted plus interest. The abatement amount for the current fiscal year was $452,331, with one year remaining.
- Tetra Pak – In 2013, a 65% tax abatement agreement for a term of four years was granted to Tetra Pak Materials LP on new capital investments, including a 32,000 square foot expansion of their facility and relocating their corporate headquarter operations from Chicago to Denton. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $5 million, the agreement provides for a full refund all abatements previously granted plus interest. The abatement amount for the current fiscal year was $39,339, with two years remaining.

The City has two additional abatement agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements.

380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has target industry sectors for recruitment that will be given priority consideration: aviation/aerospace, advanced manufacturing, renewable energy, research and development, information technology, supply chain for existing primary employers, and significant consumers of municipal utilities. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Each agreement is based on the contribution in sales or property tax or both. For the fiscal year ended September 30, 2017, the City rebated sales taxes totaling $2,630,275 and property taxes totaling $155,503, as detailed in the following agreements:

- Denton Crossing – In 2001, an agreement was approved for the 500,000 square foot, $50 million Denton Crossing retail center. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of 15 years as reimbursement for public improvement costs related to the project not to exceed $7,250,000 plus accrued interest. The tax rebates initiated in 2005 and will terminate in 2020. The tax rebate amount for the current fiscal year was $547,701.
- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $6,664,901 plus accrued interest. The tax rebates initiated in 2010 and will terminate in 2025. The tax rebate amount for the current fiscal year was $71,158.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which include the widening of a state highway bisecting the project. The grantee will receive a maximum of $20 million over a 15 year term for phase

one and a maximum of $48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until $5 million is reached. As of the current fiscal year, only phase one has initiated tax rebates which was $1,180,743.

- Schlumberger – In 2010, an agreement was granted to Grand Mesa for the renovation and equipping of the building for Schlumberger. The agreement was assigned to Schlumberger Technology Corporation in 2012 equal to one half of new property tax revenue generated for their 150,000 square foot regional maintenance facility. Agreement thresholds require maintaining $5 million in real property improvements and business personal property valuation and the creation of 80 jobs with an average wage of $45,000. The term of the agreement is seven years and will terminate in 2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a full refund of all rebates previously granted plus interest. The tax rebate amount for the current fiscal year was $40,388.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 to $65 million was required as an investment into the property to receive a one half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at $95,898. The total grant payments are estimated between $7.12 and $9.5 million and may not exceed 15.83% of the required investment. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was $132,577.

- Mayday Manufacturing – In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies for the relocation of the business and expansion of a manufacturing facility. The agreement provides a 75% tax rebate on the increment of property tax revenue generated above the base valuation for a period of ten years. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a 50% refund of all rebates previously granted. The tax rebate amount for the current fiscal year was $26,621.

- West Gate Business Park – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on building 1 improvements and to add a one-time grant payment in the amount of $50,000. A separate tax abatement agreement for building 2 and 3 was also approved so WGBP could be eligible to apply for a tax abatement from Denton County. The terms of the agreement include a 60% abatement of City property taxes attributable to new capital investments resulting in an increased assessed value of real property improvements. The amount of the abatement may be increased by an additional 5% for a national headquarters and/or 10% for a supplier in support of major employers in Denton. The one-time grant payment of $50,000 occurred in the current fiscal year along with the tax rebate amount of $38,494.

- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a $135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around $7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. The agreement provides for the following:

- A reimbursement of up to $1,000,000 in infrastructure financing for water improvements and up to $865,000 for sewer improvements. This payment was made during the current fiscal year from the Water and Wastewater funds.
- A grant equal to 100% of local Sales and Use Tax receipts collected by the City on construction materials and furniture, fixtures, and equipment purchases for the development of the property. The tax rebate amount for the current fiscal year was $361,030.
- A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. These payments have not initiated as of the current fiscal year.
- A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is $50 million excluding purchase price of the property. These payments have not initiated as of the current fiscal year.

- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal ($28 million) and interest ($26 million) amount of $54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales tax up to $850,000, then 50% thereafter. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The tax rebate amount for the current fiscal year was accrued and is scheduled for payment in the following fiscal year in the amount of $377,066.

The City has two additional Chapter 380 agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings and the item described following, is approximately $500,000 as of September 30, 2017. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2017.

H. Subsequent events

The City has evaluated all events or transactions that occurred after September 30, 2017 up through March 2, 2018, the date the financial statements were issued. There were no significant subsequent events to disclose.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements which became effective for the fiscal year 2017.

Statement No. 77 "Tax Abatement Disclosures" – This Statement requires governments entering into tax abatement agreements to provide certain disclosures regarding these commitments such as

descriptions of the agreements, the amounts abated, and any additional commitments by the governments in addition to tax abatements. The Statement had no financial impact. See note V.F. for disclosure requirements.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" (OPEB) – This Statement replaces the requirements of Statements No. 45 and No. 57 related to OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions, OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information. This statement changes the focus of OPEB accounting from whether the employer is responsibly funding the OPEB benefits to reporting a liability in the financial statements for any unfunded portion of benefits earned to-date, and it will become effective for the City in fiscal year 2018.

Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14" – This Statement amends the blending requirements established in Statement No. 14, adding additional criterion required for blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement will become effective for the City in fiscal year 2018.

Statement No. 81 "Irrevocable Split-Interest Agreements" – This Statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary, who administers these resources for the unconditional benefit of a government and at least one other beneficiary. This Statement will become effective for the City in fiscal year 2018.

Statement No. 82 "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73" – This Statement establishes and clarifies accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers, specifically (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. This Statement will become effective for the City in fiscal year 2018.

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CITY OF DENTON, TEXAS **Exhibit XII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service Cost	$ 10,667,694	$ 12,615,957	$ 13,925,238
Interest (on the total pension liability)	25,182,941	26,905,700	27,656,654
Difference between expected and actual experience	(171,241)	(1,525,911)	763,589
Change of assumptions	-	(428,789)	-
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)
Net change in total pension liability	24,291,777	24,869,222	29,322,151
Total pension liability - beginning	360,116,261	384,408,038	409,277,260
Total pension liability - ending (a)	$ 384,408,038	$ 409,277,260	$ 438,599,411
Plan fiduciary net position:			
Contributions - employer	$ 13,065,763	$ 13,615,410	$ 14,046,860
Contributions - employee	4,991,415	5,365,231	5,712,464
Net investment income	16,867,596	469,530	21,947,635
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)
Administrative expense	(176,083)	(285,957)	(247,766)
Other	(14,477)	(14,123)	(13,349)
Net change in plan fiduciary net position	23,346,597	6,452,356	28,422,514
Plan fiduciary net position - beginning	294,819,596	318,166,193	324,618,549
Plan fiduciary net position - ending (b)	$ 318,166,193	$ 324,618,549	$ 353,041,063
Net pension liability - ending (a) - (b)	$ 66,241,845	$ 84,658,711	$ 85,558,348
Plan fiduciary net position as a percentage of total pension liability	82.77%	79.32%	80.49%
Covered employee payroll	$ 71,025,494	$ 76,646,157	$ 81,481,789
Net pension liability as a percentage of covered employee payroll	93.26%	110.45%	105.00%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service Cost	$ 2,747,253	$ 2,836,263	$ 3,089,911
Interest (on the total pension liability)	5,685,396	5,998,959	6,135,588
Difference between expected and actual experience	-	(2,063,421)	-
Change of assumptions	-	2,331,908	-
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)
Net change in total pension liability	4,396,640	5,055,351	4,955,493
Total pension liability - beginning	80,490,694	84,887,334	89,942,685
Total pension liability - ending (a)	$ 84,887,334	$ 89,942,685	$ 94,898,178
Plan fiduciary net position:			
Contributions - employer	$ 2,566,875	$ 2,567,219	$ 2,759,844
Contributions - employee	1,745,419	1,803,064	1,997,155
Net investment income	4,411,066	(3,287,188)	6,935,215
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)
Administrative expense	(81,005)	(76,538)	(94,175)
Net change in plan fiduciary net position	4,606,346	(3,041,801)	7,328,033
Plan fiduciary net position - beginning	66,412,172	71,018,518	67,976,717
Plan fiduciary net position - ending (b)	$ 71,018,518	$ 67,976,717	$ 75,304,750
Net pension liability - ending (a) - (b)	$ 13,868,816	$ 21,965,968	$ 19,593,428
Plan fiduciary net position as a percentage of total pension liability	83.66%	75.58%	79.35%
Covered employee payroll	$ 14,238,486	$ 14,310,032	$ 15,850,437
Net pension liability as a percentage of covered employee payroll	97.40%	153.50%	123.61%

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XIV**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b)/(d)
2008	$ 7,082,769	$ 7,082,769	$ -	$ 53,908,360	13.14%
2009	9,709,279	7,952,938	(1,756,341)	57,250,108	13.89%
2010	11,194,086	8,849,577	(2,344,509)	59,457,345	14.88%
2011	11,580,085	9,579,358	(2,000,727)	58,139,688	16.48%
2012	11,475,702	10,435,001	(1,040,701)	60,340,212	17.29%
2013	12,174,640	12,171,482	(3,158)	64,940,234	18.74%
2014	12,912,746	12,911,461	(1,285)	69,872,024	18.48%
2015	13,507,272	13,507,272	-	75,379,632	17.92%
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%

Notes to Schedule:
Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2017:

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Percentage of Payroll, Closed**
Remaining Amortization Period	**29 Years (Equivalent Single Amortization Period of 18.1 years)**
Asset Valuation Method	**10 Year Smoothed Market; 15% Soft Corridor**
Inflation	**2.50%**
Salary Increases	**3.50% to 10.50% including inflation**
Investment Rate of Return	**6.75%**
Retirement Age	**Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.**
Mortality	**RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.**

CITY OF DENTON, TEXAS **Exhibit XV**
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b)/(d)
2008	$ 1,426,906	$ 1,426,906	$ -	$ 11,890,880	12.00%
2009	1,747,908	1,747,908	-	12,485,061	14.00%
2010	1,976,419	1,976,419	-	13,070,041	15.12%
2011	2,141,662	2,141,662	-	12,828,446	16.69%
2012	2,253,667	2,253,667	-	12,899,800	17.47%
2013	2,579,453	2,579,453	-	13,629,825	18.93%
2014	2,576,652	2,576,652	-	13,828,070	18.63%
2015	2,535,719	2,535,719	-	14,029,051	18.07%
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,814,029	2,814,029	-	16,113,770	17.46%

Notes to Schedule:
Annual required contributions are not actuarially determined. According to a City ordinance, since January 2010 the City contributes to the Firemen's Relief and Retirement Fund at the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. The rates are calculated as of December 31st and become effective in January, 13 months later.

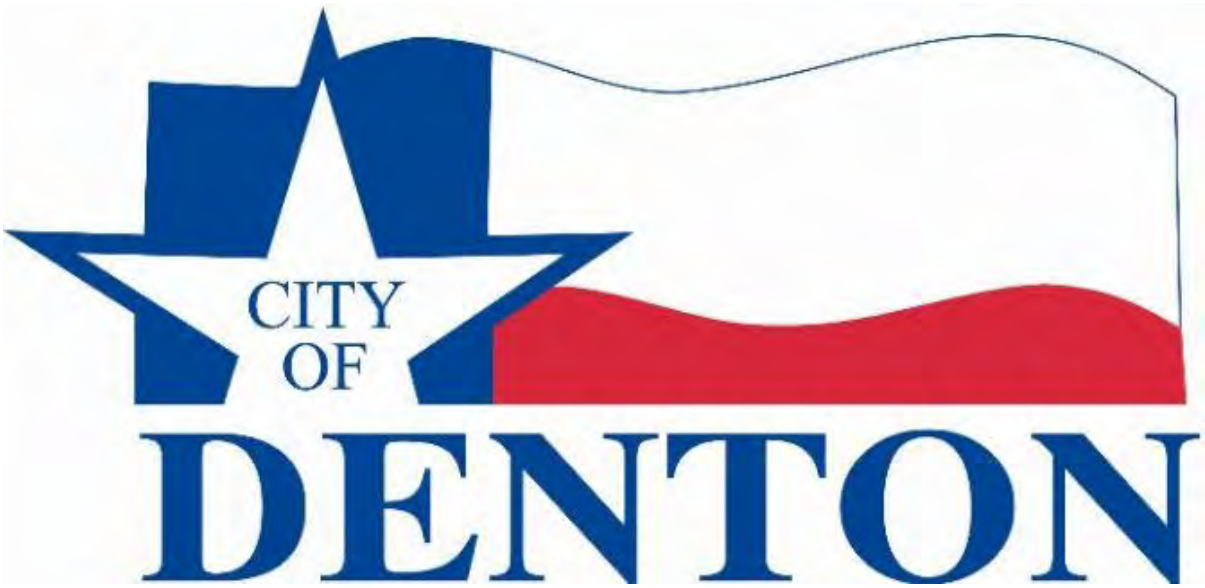
While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy for 2017:

Actuarial Cost Method	**Entry Age**
Amortization Method	**Level Percentage of Payroll, Open**
Remaining Amortization Period	**31 Years**
Asset Valuation Method	**5-year smoothing**
Inflation	**2.50%**
Salary Increases	**3.00% annual general compensation increase plus promotion, step, and longevity increases which average 1.98% per year over a 30-year career**
Investment Rate of Return	**6.75%, net of pension plan investment expense, including inflation**
Retirement Age	**Average expected age at retirement of 57**
Mortality	**RP-2000 Combined Healthy Mortality Tables projected to 2024 by scale AA**

CITY OF DENTON, TEXAS **Exhibit XVI**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS
FUNDING PROGRESS AND CONTRIBUTIONS
LAST THREE VALUATION YEARS (Unaudited)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Percent
2012	10/1/2011	-	$ 12,565,747	$ (12,565,747)	0%
2014	10/1/2013	-	13,715,238	(13,715,238)	0
2016	10/1/2015	-	25,361,327	(25,361,327)	0

Fiscal Year	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
2012	$ 71,315,386	17.6%	$ 1,582,219	$ 1,481,210	94%
2014	79,692,115	17.2	1,821,243	909,288	50
2016	100,867,147	25.7	3,438,549	630,522	18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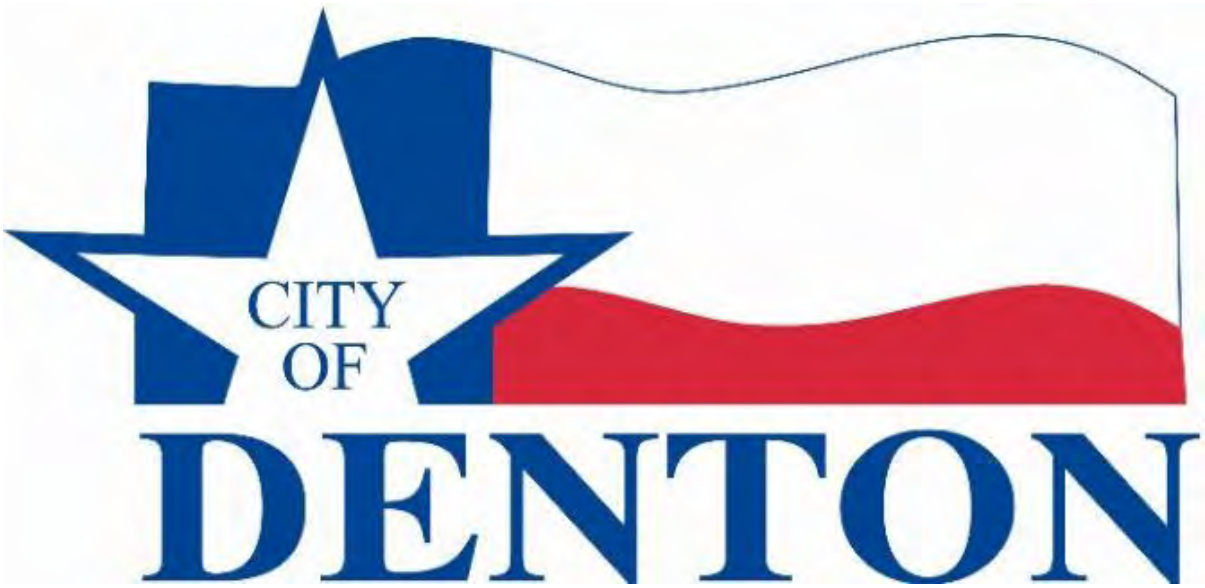
CITY OF DENTON, TEXAS **Exhibit XVII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 19,748,519	$ 19,748,519	$ 20,132,397	$ -	$ 20,132,397	$ 383,878
Investment revenue	50,000	50,000	189,707	-	189,707	139,707
Total revenues	19,798,519	19,798,519	20,322,104	-	20,322,104	523,585
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	75,559,790	75,559,790	20,062,887	55,258,404	75,321,291	238,499
Advance refunding escrow	-	-	103,950	(103,950)	-	-
Bond issuance costs	-	-	46,826	(46,826)	-	-
Total expenditures	75,559,790	75,559,790	20,213,663	55,107,628	75,321,291	238,499
Excess (deficiency) of revenues over (under) expenditures	(55,761,271)	(55,761,271)	108,441	(55,107,628)	(54,999,187)	762,084
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	10,850,000	(10,850,000)	-	-
Payment to refunded bond escrow agent	-	-	(11,358,665)	11,358,665	-	-
Premium on debt issuance	-	-	557,965	(557,965)	-	-
Transfers in	55,761,271	55,761,271	358,371	55,258,404	55,616,775	(144,496)
Total other financing sources (uses)	55,761,271	55,761,271	407,671	55,209,104	55,616,775	(144,496)
Net change in fund balance	-	-	516,112	101,476	617,588	617,588
Fund balance at beginning of year	4,893,032	4,893,032	4,893,032	-	4,893,032	-
Fund balance at end of year	$ 4,893,032	$ 4,893,032	$ 5,409,144	$ 101,476	$ 5,510,620	$ 617,588

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant (CDBG) – to account for the operations of projects utilizing Community Development Block Grant Funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Recreation – to account for the revenues and expenditures for the recreation programs that are self-supporting. All expenditures will be reimbursed 100%. Various business operations, such as concessions, fall into this account.

Criminal Justice – to account for revenue received from the State of Texas Criminal Justice Division and other grants administered by the police department.

Police Confiscation – to account for revenues received from confiscated goods. Expenditures are restricted to enhancing law enforcement.

Tourist and Convention – to account for taxes received from hotel and motel occupancy for the purpose of promoting tourism.

Street Improvement – to account for street maintenance and improvement activities.

Gas Well Revenues – to account for the receipt of royalty, pooling, tax, and lease revenue related to park gas wells.

Citizens' Park Trusts – to account for several small trust funds that are for park development.

All Other – to account for miscellaneous special revenue sources that are required to finance specific activities.

CITY OF DENTON, TEXAS **Exhibit XVIII**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
ASSETS					
Cash, cash equivalents and investments, at fair value	$ -	$ 475,619	$ -	$ 537,612	$ 2,031,403
Receivables (net of allowances):					
Taxes	-	-	-	-	214,671
Accrued interest	-	2,092	-	2,369	8,953
Other	-	4,769	-	-	-
Due from other governments	390,405	-	19,398	-	-
Total assets	$ 390,405	$ 482,480	$ 19,398	$ 539,981	$ 2,255,027
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	12,058	34,925	-	67,062	-
Interfund payables	372,324	-	19,398	-	-
Retainage payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	384,382	34,925	19,398	67,062	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - intergovernmental	-	7,745	19,398	-	-
Total deferred inflows of revenues	-	7,745	19,398	-	-
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	-	-	-	-
Other grants and purposes	6,023	-	-	472,919	2,255,027
Committed to:					
Streets	-	-	-	-	-
Parks and recreation	-	439,810	-	-	-
Other purposes	-	-	-	-	-
Assigned to:					
Other purposes	-	-	-	-	-
Unassigned	-	-	(19,398)	-	-
Total fund balance (deficit)	6,023	439,810	(19,398)	472,919	2,255,027
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 390,405	$ 482,480	$ 19,398	$ 539,981	$ 2,255,027

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XVIII**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (concluded)
AS OF SEPTEMBER 30, 2017

	Special Revenue Funds				Total
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	Nonmajor Governmental Funds
ASSETS					
Cash, cash equivalents and investments, at fair value	$ 1,609,008	$ 88,261	$ 5,622,565	$ 5,774,550	$ 16,139,018
Receivables (net of allowances):	-				
Taxes	-	-	-	-	214,671
Accrued interest	7,091	389	24,780	25,449	71,123
Other	-	15,736	-	259,198	279,703
Due from other governments	-	-	-	3,087,562	3,497,365
Total assets	$ 1,616,099	$ 104,386	$ 5,647,345	$ 9,146,759	$ 20,201,880
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	427,446	-	69,085	788,805	1,399,381
Interfund payables	-	-	-	-	391,722
Retainage payable	29,986	-	3,385	-	33,371
Unearned revenues	-	-	-	22,880	22,880
Total liabilities	457,432	-	72,470	811,685	1,847,354
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - intergovernmental	-	-	-	2,918,005	2,945,148
Total deferred inflows of revenues	-	-	-	2,918,005	2,945,148
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	104,371	5,574,875	80,829	5,760,075
Other grants and purposes	-	-	-	1,370,067	4,104,036
Committed to:					
Streets	1,158,667	-	-	-	1,158,667
Parks and recreation	-	15	-	-	439,825
Other purposes	-	-	-	6,889,093	6,889,093
Assigned to:					
Other purposes	-	-	-	59	59
Unassigned	-	-	-	(2,922,979)	(2,942,377)
Total fund balance (deficit)	1,158,667	104,386	5,574,875	5,417,069	15,409,378
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 1,616,099	$ 104,386	$ 5,647,345	$ 9,146,759	$ 20,201,880

(concluded)

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ -	$ 2,374,221
Franchise fees	-	-	-	-	-
Fines and forfeitures	-	-	-	96,739	-
Fees for services	-	1,941,893	-	-	-
Investment revenue	-	5,602	-	5,464	18,625
Intergovernmental	1,196,691	-	23,048	-	-
Miscellaneous	154,561	3,353	-	5,450	551
Total revenues	1,351,252	1,950,848	23,048	107,653	2,393,397
EXPENDITURES:					
General government	1,037,703	-	-	-	2,194,207
Public safety	-	-	19,398	68,947	-
Public works	-	-	-	-	-
Parks and recreation	-	1,860,988	-	-	-
Capital outlay	-	23,185	-	56,405	52,361
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	1,037,703	1,884,173	19,398	125,352	2,246,568
Excess (deficiency) of revenues over (under) expenditures	313,549	66,675	3,650	(17,699)	146,829
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	5,380	150,000
Transfers out	(88,236)	(125,000)	-	-	-
Total other financing sources (uses)	(88,236)	(125,000)	-	5,380	150,000
Net change in fund balances	225,313	(58,325)	3,650	(12,319)	296,829
Fund balance (deficit) at beginning of year	(219,290)	498,135	(23,048)	485,238	1,958,198
Fund balance (deficit) at end of year	$ 6,023	$ 439,810	$ (19,398)	$ 472,919	$ 2,255,027

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ 617,244	$ 2,991,465
Franchise fees	11,097,871	-	-	-	11,097,871
Fines and forfeitures	-	-	-	2,296,175	2,392,914
Fees for services	240,099	97,726	468,386	229,288	2,977,392
Investment revenue	14,294	1,072	46,275	35,610	126,942
Intergovernmental	200,794	-	-	1,054,078	2,474,611
Miscellaneous	58,926	-	-	1,178,132	1,400,973
Total revenues	11,611,984	98,798	514,661	5,410,527	23,462,168
EXPENDITURES:					
General government	-	-	-	510,452	3,742,362
Public safety	-	-	-	3,033,482	3,121,827
Public works	12,467,894	-	-	-	12,467,894
Parks and recreation	-	-	20,113	297,370	2,178,471
Capital outlay	66,329	-	381,776	277,071	857,127
Debt service:					
Principal retirement	56,317	-	-	-	56,317
Interest and other charges	2,180	-	-	-	2,180
Total expenditures	12,592,720	-	401,889	4,118,375	22,426,178
Excess (deficiency) of revenues over (under) expenditures	(980,736)	98,798	112,772	1,292,152	1,035,990
OTHER FINANCING SOURCES (USES):					
Transfers in	964,276	-	-	199,369	1,319,025
Transfers out	(623,497)	(100,000)	-	(2,552,966)	(3,489,699)
Total other financing sources (uses)	340,779	(100,000)	-	(2,353,597)	(2,170,674)
Net change in fund balances	(639,957)	(1,202)	112,772	(1,061,445)	(1,134,684)
Fund balance (deficit) at beginning of year	1,798,624	105,588	5,462,103	6,478,514	16,544,062
Fund balance (deficit) at end of year	$ 1,158,667	$ 104,386	$ 5,574,875	$ 5,417,069	$ 15,409,378

(concluded)

CITY OF DENTON, TEXAS **Exhibit XX**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: RECREATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for services	$ 2,134,743	$ 2,134,743	$ 1,941,893	$ -	$ 1,941,893	$ (192,850)
Investment revenue	17,000	17,000	5,602	-	5,602	(11,398)
Miscellaneous	-	-	3,353	-	3,353	3,353
Total revenues	2,151,743	2,151,743	1,950,848	-	1,950,848	(200,895)
EXPENDITURES:						
Parks and recreation	1,978,716	1,978,716	1,860,988	(163,507)	1,697,481	281,235
Capital outlay	-	-	23,185	-	23,185	(23,185)
Total expenditures	1,978,716	1,978,716	1,884,173	(163,507)	1,720,666	258,050
Excess (deficiency) of revenues over (under) expenditures	173,027	173,027	66,675	163,507	230,182	57,155
OTHER FINANCING USES:						
Transfers out	(265,209)	(265,209)	(125,000)	(163,507)	(288,507)	(23,298)
Total other financing uses	(265,209)	(265,209)	(125,000)	(163,507)	(288,507)	(23,298)
Net change in fund balance	(92,182)	(92,182)	(58,325)	-	(58,325)	33,857
Fund balance at beginning of year	498,135	498,135	498,135	-	498,135	-
Fund balance at end of year	$ 405,953	$ 405,953	$ 439,810	$ -	$ 439,810	$ 33,857

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXI**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: POLICE CONFISCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fines and forfeitures	$ 205,000	$ 205,000	$ 96,739	$ -	$ 96,739	$ (108,261)
Investment revenue	-	-	5,464	-	5,464	5,464
Miscellaneous	50,000	50,000	5,450	-	5,450	(44,550)
Total revenues	255,000	255,000	107,653	-	107,653	(147,347)
EXPENDITURES:						
Public safety	255,000	255,000	68,947	-	68,947	186,053
Capital outlay	187,000	187,000	56,405	-	56,405	130,595
Total expenditures	442,000	442,000	125,352	-	125,352	316,648
OTHER FINANCING SOURCES:						
Transfers in	-	-	5,380	-	5,380	5,380
Total other financing sources	-	-	5,380	-	5,380	5,380
Net change in fund balance	(187,000)	(187,000)	(12,319)	-	(12,319)	174,681
Fund balance at beginning of year	485,238	485,238	485,238	-	485,238	-
Fund balance at end of year	$ 298,238	$ 298,238	$ 472,919	$ -	$ 472,919	$ 174,681

CITY OF DENTON, TEXAS **Exhibit XXII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 2,145,064	$ 2,145,064	$ 2,374,221	$ -	$ 2,374,221	$ 229,157
Investment revenue	-	-	18,625	-	18,625	18,625
Miscellaneous	-	-	551	-	551	551
Total revenues	2,145,064	2,145,064	2,393,397	-	2,393,397	248,333
EXPENDITURES:						
General government	2,167,494	2,271,853	2,194,207	-	2,194,207	77,646
Capital outlay	-	52,361	52,361	-	52,361	-
Total expenditures	2,167,494	2,324,214	2,246,568	-	2,246,568	77,646
Excess (deficit) of revenues over (under) expenditures	(22,430)	(179,150)	146,829	-	146,829	325,979
OTHER FINANCING SOURCES:						
Transfers in	-	-	150,000	-	150,000	150,000
Total other financing sources	-	-	150,000	-	150,000	150,000
Net change in fund balance	(22,430)	(179,150)	296,829	-	296,829	475,979
Fund balance at beginning of year	1,958,198	1,958,198	1,958,198	-	1,958,198	-
Fund balance at end of year	$ 1,935,768	$ 1,779,048	$ 2,255,027	$ -	$ 2,255,027	$ 475,979

CITY OF DENTON, TEXAS **Exhibit XXIII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Franchise fees	$ 11,608,420	$ 11,608,420	$ 11,097,871	$ -	$ 11,097,871	$ (510,549)
Fees for services	350,000	350,000	240,099	-	240,099	(109,901)
Investment revenue	10,000	10,000	14,294	-	14,294	4,294
Intergovernmental	-	-	200,794	-	200,794	200,794
Miscellaneous	-	-	58,926	-	58,926	58,926
Total revenues	11,968,420	11,968,420	11,611,984	-	11,611,984	(356,436)
EXPENDITURES:						
Public Works	12,678,089	12,297,295	12,467,894	(103,679)	12,364,215	(66,920)
Capital outlay	-	-	66,329	-	66,329	(66,329)
Debt service:						
Principal retirement	59,165	59,165	56,317	-	56,317	2,848
Interest and other charges	-	-	2,180	-	2,180	(2,180)
Total expenditures	12,737,254	12,356,460	12,592,720	(103,679)	12,489,041	(132,581)
Excess (deficit) of revenues over (under) expenditures	(768,834)	(388,040)	(980,736)	103,679	(877,057)	(489,017)
OTHER FINANCING SOURCES (USES):						
Transfers in	997,363	997,363	964,276	-	964,276	(33,087)
Transfers out	(583,529)	(964,323)	(623,497)	(103,679)	(727,176)	237,147
Total other financing sources (uses)	413,834	33,040	340,779	(103,679)	237,100	204,060
Net change in fund balance	(355,000)	(355,000)	(639,957)	-	(639,957)	(284,957)
Fund balance at beginning of year	1,798,624	1,798,624	1,798,624	-	1,798,624	-
Fund balance at end of year	$ 1,443,624	$ 1,443,624	$ 1,158,667	$ -	$ 1,158,667	$ (284,957)

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

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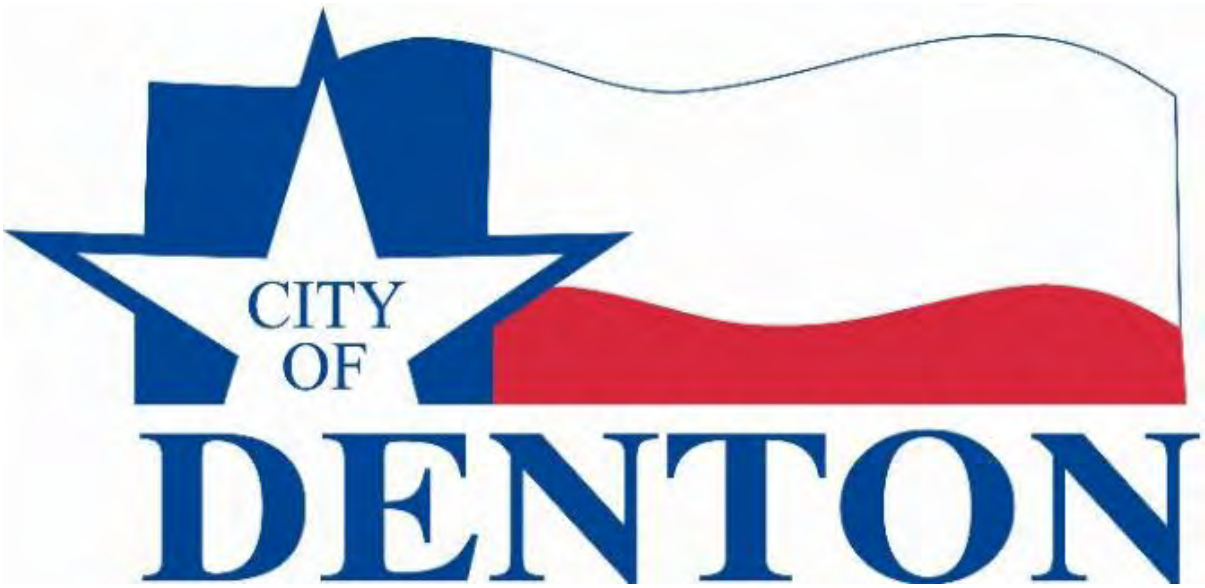
CITY OF DENTON, TEXAS **Exhibit XXIV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: GAS WELL REVENUES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 64,000	$ 64,000	$ 97,726	$ -	$ 97,726	$ 33,726
Investment revenue	100	100	1,072	-	1,072	972
Total revenues	64,100	64,100	98,798	-	98,798	34,698
OTHER FINANCING USES:						
Transfers out	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Total other financing uses	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Net change in fund balance	(35,900)	(35,900)	(1,202)	-	(1,202)	34,698
Fund balance at beginning of year	105,588	105,588	105,588	-	105,588	-
Fund balance at end of year	$ 69,688	$ 69,688	$ 104,386	$ -	$ 104,386	$ 34,698

CITY OF DENTON, TEXAS **Exhibit XXV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 300,000	$ 300,000	$ 468,386	$ -	$ 468,386	$ 168,386
Investment revenue	30,000	30,000	46,275	-	46,275	16,275
Total revenues	330,000	330,000	514,661	-	514,661	184,661
EXPENDITURES:						
Parks and recreation	-	-	20,113	-	20,113	(20,113)
Capital outlay	1,300,000	1,300,000	381,776	-	381,776	918,224
Total expenditures	1,300,000	1,300,000	401,889	-	401,889	898,111
Excess of revenues over expenditures	(970,000)	(970,000)	112,772	-	112,772	1,082,772
Net change in fund balance	(970,000)	(970,000)	112,772	-	112,772	1,082,772
Fund balance at beginning of year	5,462,103	5,462,103	5,462,103	-	5,462,103	-
Fund balance at end of year	$ 4,492,103	$ 4,492,103	$ 5,574,875	$ -	$ 5,574,875	$ 1,082,772


CITY
OF
DENTON

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department for another.

The City has six Internal Service Funds as follows:

Materials Management Fund – to account for the financing of goods and services provided by the Materials Management operations of purchasing and warehouse to other City departments. Purchasing is responsible for procuring goods and services for City departments, and the warehouse maintains an inventory of materials and supplies used by City departments. Warehouse items are billed to other departments at cost of parts plus 8 percent. Actual costs include depreciation on machinery and equipment used to provide the service.

Fleet Services Fund – to account for the financing of goods and services provided by the Municipal Garage and Machine Shop to other City departments. Municipal Garage and Machine Shop billings include cost of parts plus 25 percent and labor charges. Actual costs include depreciation on the building, improvements, machinery, and equipment used to provide the service.

Health Insurance Fund – to account for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, dental insurance, and vision insurance.

Risk Retention Fund – to account for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City operations.

Technology Services Fund – to account for the accumulation of resources to provide computer services such as programming, support, training, maintenance, and office services to City departments.

Engineering Services Fund – to account for providing engineering, real estate, public works inspection, and development review services primarily to internal City departments although some services are provided to external entities.

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2017

Exhibit XXVI

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 13,843	$ 1,477,292	$ 6,453,239	$ 3,789,620
Receivables, net of allowances:				
Accrued interest	-	6,511	28,441	16,702
Other	-	91,555	-	212,090
Merchandise inventory	7,430,766	112,418	-	-
Prepaid items	10,934	-	-	-
Total current assets	7,455,543	1,687,776	6,481,680	4,018,412
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	-	199,676	-	-
Accrued interest	-	880	-	-
Escrow deposit	-	-	189,000	-
Capital assets, net of accumulated depreciation	756,578	4,323,819	-	-
Total noncurrent assets	756,578	4,524,375	189,000	-
Total assets	8,212,121	6,212,151	6,670,680	4,018,412
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	20,030	11,574	-	-
Deferred pension balances	170,979	214,625	-	109,220
Deferred pension contributions	128,458	148,020	-	84,644
Total deferred outflows of resources	319,467	374,219	-	193,864
LIABILITIES:				
Current liabilities:				
Accounts payable	763,835	625,160	-	96,739
Claims payable	-	-	1,827,339	409,800
Compensated absences payable	56,709	88,470	-	42,506
Leases payable	-	-	-	-
Accrued interest	1,316	4,081	-	-
Interfund payables	5,100,000	-	-	-
Certificate and general obligation bonds	42,402	247,078	-	-
Total current liabilities	5,964,262	964,789	1,827,339	549,045
Noncurrent liabilities:				
Payable from restricted assets:				
General obligation bonds payable	230,530	267,426	-	-
Certificates of obligation	-	159,243	-	-
Compensated absences payable	1,438	29,204	-	18,237
Claims payable	-	-	-	2,096,874
Net pension liability	966,275	1,194,998	-	618,712
Other post employment benefits	119,753	169,424	-	56,995
Total noncurrent liabilities:	1,317,996	1,820,295	-	2,790,818
Total liabilities	7,282,258	2,785,084	1,827,339	3,339,863
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	14,299	17,963	-	9,118
Total deferred inflows of resources	14,299	17,963	-	9,118
NET POSITION:				
Net investment in capital assets	503,676	3,862,202	-	-
Unrestricted	731,355	(78,879)	4,843,341	863,295
Total net position	$ 1,235,031	$ 3,783,323	$ 4,843,341	$ 863,295

(continued on the following page)

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF NET POSITION (concluded)
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2017

Exhibit XXVI

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 4,868,674	$ 1,160,093	$ 17,762,761
Receivables, net of allowances:			
Accrued interest	21,457	5,113	78,224
Other	-	-	303,645
Merchandise inventory	-	-	7,543,184
Prepaid items	186,248	-	197,182
Total current assets	5,076,379	1,165,206	25,884,996
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	-	-	199,676
Accrued interest	-	-	880
Escrow deposit	-	-	189,000
Capital assets, net of accumulated depreciation	2,519,879	56,231	7,656,507
Total noncurrent assets	2,519,879	56,231	8,046,063
Total assets	7,596,258	1,221,437	33,931,059
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	177	-	31,781
Deferred pension balances	521,274	401,665	1,417,763
Deferred pension contributions	406,004	304,516	1,071,642
Total deferred outflows of resources	927,455	706,181	2,521,186
LIABILITIES:			
Current liabilities:			
Accounts payable	548,606	291,459	2,325,799
Claims payable	-	-	2,237,139
Compensated absences payable	247,907	190,354	625,946
Leases payable	443,839	-	443,839
Accrued interest	75	-	5,472
Interfund payables	-	-	5,100,000
Certificate and general obligation bonds	10,201	-	299,681
Total current liabilities	1,250,628	481,813	11,037,876
Noncurrent liabilities:			
Payable from restricted assets:			
General obligation bonds payable	10,101	-	508,057
Certificates of obligation	-	-	159,243
Compensated absences payable	21,151	13,881	83,911
Claims payable	-	-	2,096,874
Net pension liability	2,966,968	2,266,997	8,013,950
Other post employment benefits	250,565	233,646	830,383
Total noncurrent liabilities:	3,248,785	2,514,524	11,692,418
Total liabilities	4,499,413	2,996,337	22,730,294
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension balances	43,597	33,542	118,519
Total deferred inflows of resources	43,597	33,542	118,519
NET POSITION:			
Net investment in capital assets	2,055,915	56,231	6,478,024
Unrestricted	1,924,788	(1,158,492)	7,125,408
Total net position	$ 3,980,703	$ (1,102,261)	$ 13,603,432

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
OPERATING REVENUES:				
Charges for goods and services	$ 13,544,111	$ 9,949,616	$ 24,385,401	$ 859,728
Miscellaneous	155,731	12,561	714,895	128,261
Total operating revenues	13,699,842	9,962,177	25,100,296	987,989
OPERATING EXPENSES:				
Operating expenses before depreciation	13,510,365	9,190,878	26,338,762	3,924,087
Depreciation	16,764	192,117	-	-
Total operating expenses	13,527,129	9,382,995	26,338,762	3,924,087
Operating income (loss)	172,713	579,182	(1,238,466)	(2,936,098)
NONOPERATING REVENUES (EXPENSES):				
Investment revenue	344	6,979	54,270	52,816
Interest expense and fiscal charges	(13,191)	(19,704)	-	-
Gain (loss) on disposal of capital assets	-	9,370	-	-
Total non-operating revenues (expenses)	(12,847)	(3,355)	54,270	52,816
Income (loss) before contributions and transfers	159,866	575,827	(1,184,196)	(2,883,282)
Capital contributions	24,560	48,508	-	-
Transfers in	-	-	-	-
Change in net position	184,426	624,335	(1,184,196)	(2,883,282)
Net position at beginning of year	1,050,605	3,158,988	6,027,537	3,746,577
Total net position at end of year	$ 1,235,031	$ 3,783,323	$ 4,843,341	$ 863,295

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
OPERATING REVENUES:			
Charges for goods and services	$ 12,466,719	$ 3,921,281	$ 65,126,856
Miscellaneous	47,371	-	1,058,819
Total operating revenues	12,514,090	3,921,281	66,185,675
OPERATING EXPENSES:			
Operating expenses before depreciation	10,965,107	4,393,683	68,322,882
Depreciation	2,389,946	25,915	2,624,742
Total operating expenses	13,355,053	4,419,598	70,947,624
Operating income (loss)	(840,963)	(498,317)	(4,761,949)
NONOPERATING REVENUES (EXPENSES):			
Investment revenue	23,240	9,226	146,875
Interest expense and fiscal charges	(33,623)	-	(66,518)
Loss on disposal of capital assets	-	10,407	19,777
Total non-operating revenues (expenses)	(10,383)	19,633	100,134
Income (loss) before contributions and transfers	(851,346)	(478,684)	(4,661,815)
Capital contributions	-	-	73,068
Transfers in	37,230	10,634	47,864
Change in net position	(814,116)	(468,050)	(4,540,883)
Net position at beginning of year	4,794,819	(634,211)	18,144,315
Total net position at end of year	$ 3,980,703	$ (1,102,261)	$ 13,603,432

(concluded)

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXVIII

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 13,699,842	$ 9,938,879	$ 25,080,296	$ 775,899
Cash paid to employees for services	(1,399,835)	(1,633,496)	-	(881,598)
Cash paid to suppliers	(12,265,082)	(7,747,964)	(26,137,980)	(2,964,015)
Net cash provided (used) by operations	34,925	557,419	(1,057,684)	(3,069,714)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Net cash provided by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on capital debt	(36,798)	(572,065)	-	-
Interest and fiscal charges	(11,238)	(25,219)	-	-
Principal payments under capital lease obligation	-	-	-	-
Proceeds from issuance of debt	-	569,143	-	-
Proceeds from the sale of fixed assets	-	9,370	-	-
Acquisition and construction of capital assets	(5,868)	(242,025)	-	-
Net cash provided (used) by capital financing activities	(53,904)	(260,796)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	-	665,204	4,986,878	6,580,949
Purchase of investment securities	-	(945,175)	(4,183,403)	(4,006,614)
Interest received on investments	344	6,029	60,747	67,944
Net cash provided (used) by investing activities	344	(273,942)	864,222	2,642,279
Net increase (decrease) in cash and cash equivalents	(18,635)	22,681	(193,462)	(427,435)
Cash and cash equivalents at beginning of year	32,478	178,493	967,610	882,048
Cash and cash equivalents at end of year	13,843	201,174	774,148	454,613
Investments, at fair value	-	1,475,794	5,679,091	3,335,007
Cash, cash equivalents and investments, at fair value	$ 13,843	$ 1,676,968	$ 6,453,239	$ 3,789,620
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 172,713	$ 579,182	$ (1,238,466)	$ (2,936,098)
Adjustments:				
Depreciation expense	16,764	192,117	-	-
Decrease (Increase) in receivables	-	(23,298)	-	(212,090)
Decrease (Increase) in inventories	(1,118,476)	(24,792)	-	-
Increase in prepaid items	(10,934)	-	-	-
Increase in escrow deposits items	-	-	(20,000)	-
Increase (Decrease) in accounts payable	199,594	(254,305)	200,782	32,322
Increase in compensated absences	(6,790)	(7,904)	-	(1,921)
Increase in interfund payables	700,000	-	-	-
Increase in net municipal pension balances	50,096	57,725	-	33,010
Increase in other post employment benefits	31,958	38,694	-	15,063
Total adjustments	(137,788)	(21,763)	180,782	(133,616)
Net cash provided (used) by operating activities	$ 34,925	$ 557,419	$ (1,057,684)	$ (3,069,714)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Decrease in fair value of investments	-	(3,199)	(13,367)	(9,028)
Capital asset contributions	24,560	48,508	-	-

(continued on the following page)

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXVIII

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 12,514,090	$ 3,921,281	$ 65,930,287
Cash paid to employees for services	(4,237,600)	(3,165,886)	(11,318,415)
Cash paid to suppliers	(6,303,958)	(818,242)	(56,237,241)
Net cash provided (used) by operations	1,972,532	(62,847)	(1,625,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	37,230	10,634	47,864
Net cash provided by noncapital financing activities	37,230	10,634	47,864
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Principal payments on capital debt	(15,000)	-	(623,863)
Interest and fiscal charges	(33,921)	-	(70,378)
Principal payments under capital lease obligation	(768,799)	-	(768,799)
Proceeds from issuance of debt	-	-	569,143
Proceeds from the sale of fixed assets	-	-	9,370
Acquisition and construction of capital assets	(697,276)	10,408	(934,761)
Net cash provided (used) by capital financing activities	(1,514,996)	10,408	(1,819,288)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	1,998,027	815,306	15,046,364
Purchase of investment securities	(2,496,104)	(798,874)	(12,430,170)
Interest received on investments	22,179	9,701	166,944
Net cash provided (used) by investing activities	(475,898)	26,133	2,783,138
Net increase (decrease) in cash and cash equivalents	18,868	(15,672)	(613,655)
Cash and cash equivalents at beginning of year	565,191	154,840	2,780,660
Cash and cash equivalents at end of year	584,059	139,168	2,167,005
Investments, at fair value	4,284,615	1,020,925	15,795,432
Cash, cash equivalents and investments, at fair value	$ 4,868,674	$ 1,160,093	$ 17,962,437
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (840,963)	$ (498,317)	$ (4,761,949)
Adjustments:			
Depreciation expense	2,389,946	25,915	2,624,742
Decrease (Increase) in receivables	-	-	(235,388)
Decrease (Increase) in inventories	-	-	(1,143,268)
Increase in prepaid items	(91,334)	-	(102,268)
Increase in escrow deposits items	-	-	(20,000)
Increase (Decrease) in accounts payable	127,407	217,106	522,906
Increase in compensated absences	65,227	14,832	63,444
Increase in interfund payables	94,749	-	794,749
Increase in net municipal pension balances	158,334	118,756	417,921
Increase in other post employment benefits	69,166	58,861	213,742
Total adjustments	2,813,495	435,470	3,136,580
Net cash provided (used) by operating activities	$ 1,972,532	$ (62,847)	$ (1,625,369)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Decrease in fair value of investments	(9,465)	(2,331)	(37,390)
Capital asset contributions	-	-	73,068

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
OTHER AGENCY FUNDS				
ASSETS				
Cash, cash equivalents and investments, at fair value	**$ 292,764**	**$ 1,356,962**	**$ 1,467,700**	**$ 182,026**
Total assets	**$ 292,764**	**$ 1,356,962**	**$ 1,467,700**	**$ 182,026**
LIABILITIES				
Accounts payable	**$ 292,764**	**$ 1,356,962**	**$ 1,467,700**	**$ 182,026**
Total liabilities	**$ 292,764**	**$ 1,356,962**	**$ 1,467,700**	**$ 182,026**

CITY OF DENTON, TEXAS **Exhibit XXX**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE*
AS OF SEPTEMBER 30, 2016 AND 2017

	2017	2016
Governmental funds capital assets:		
Land	$ 20,880,354	$ 15,712,396
Work in progress	56,604,771	55,103,696
Buildings	63,587,711	57,062,259
Plant, machinery and equipment	84,848,684	76,297,718
Infrastructure	267,898,072	245,835,580
Total governmental funds capital assets	$ 493,819,592	$ 450,011,649
Investments in governmental funds capital assets by source:		
General fund	$ 198,261,192	$ 189,295,344
Special revenue funds	9,442,322	9,123,962
Capital projects funds	286,116,078	251,592,343
Total governmental funds capital assets	$ 493,819,592	$ 450,011,649

*This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF DENTON, TEXAS **Exhibit XXXI**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
AS OF SEPTEMBER 30, 2017

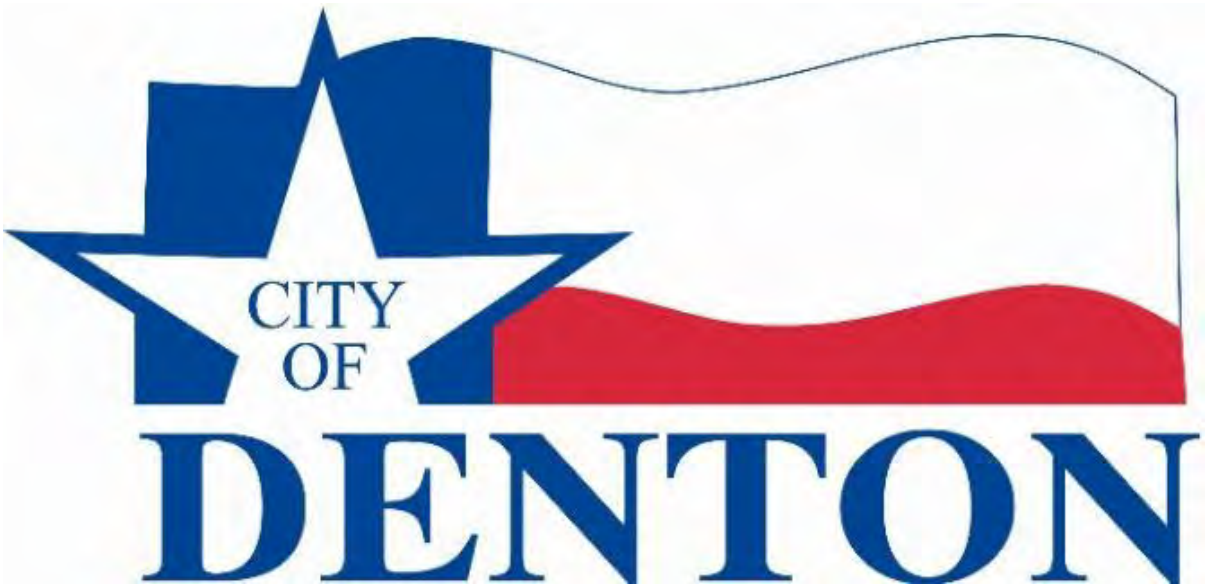
Function and Activity	Land	Buildings	Plant, Machinery and Equipment	Infrastructure	Work in Progress	Total
General government:						
Finance	$ -	$ -	$ 45,930	$ -	$ -	$ 45,930
Legal	-	-	358,124	-	-	358,124
Human resources	-	-	74,643	-	355,462	430,105
City manager/economic development	-	808,462	914,228	-	-	1,722,690
Facilities management	2,742,115	15,529,855	14,748,178	648,847	156,835	33,825,830
Library	-	12,050,477	7,855,314	14,715	-	19,920,506
Building inspections	-	-	384,222	-	-	384,222
Planning/community development	-	494,500	643,427	24,057	-	1,161,984
Engineering	-	-	-	-	1,750,880	1,750,880
Community improvement services	-	-	231,403	-	-	231,403
Gas Well Review	-	-	27,478	-	-	27,478
Reprographics	-	-	150,155	-	-	150,155
Total general government	2,742,115	28,883,294	25,433,102	687,619	2,263,177	60,009,307
Public works:						
Traffic operations	1,236	14,600	1,868,994	20,014,052	1,184,028	23,082,910
Streets	984,280	5,000	7,139,988	229,521,882	34,136,149	271,787,299
Total public works	985,516	19,600	9,008,982	249,535,934	35,320,177	294,870,209
Parks and recreation	11,028,535	17,115,410	13,430,071	17,669,519	6,394,437	65,637,972
Public safety:						
Fire administration	2,720,603	-	260,861	-	-	2,981,464
Fire operations	2,399,521	11,511,733	16,977,369	5,000	11,922,301	42,815,924
Fire prevention	-	-	1,467,598	-	-	1,467,598
Emergency medical services	-	-	417,131	-	-	417,131
Police	-	11,993	16,913,783	-	704,679	17,630,455
Animal services	1,004,064	6,045,681	441,680	-	-	7,491,425
Municipal court/judge/clerks	-	-	498,107	-	-	498,107
Total public safety	6,124,188	17,569,407	36,976,529	5,000	12,626,980	73,302,104
Total governmental funds capital assets	$ 20,880,354	$ 63,587,711	$ 84,848,684	$ 267,898,072	$ 56,604,771	$ 493,819,592

***This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.**

CITY OF DENTON, TEXAS **Exhibit XXXII**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Function and Activity	Governmental Funds Capital Assets October 1, 2016	Additions	Deductions	Governmental Funds Capital Assets September 30, 2017
General government:				
Finance	$ 45,930	$ -	$ -	$ 45,930
Legal	358,124	-	-	358,124
Human resources	74,643	-	-	74,643
City manager/economic development	1,511,116	255,069	(43,495)	1,722,690
Facilities management	28,668,206	5,107,364	(106,575)	33,668,995
Library	19,709,700	557,083	(346,277)	19,920,506
Building inspections	297,949	120,054	(33,781)	384,222
Planning/community development	1,025,275	187,099	(50,390)	1,161,984
Community improvement services	292,997	22,692	(84,286)	231,403
Gas Well Review	27,478	-	-	27,478
Reprographics	150,155	-	-	150,155
Total general government	52,161,573	6,249,361	(664,804)	57,746,130
Public works:				
Traffic operations	20,698,753	1,230,429	(30,300)	21,898,882
Streets	218,936,635	19,232,195	(517,680)	237,651,150
Total public works	239,635,388	20,462,624	(547,980)	259,550,032
Parks and recreation	54,464,495	5,124,629	(345,589)	59,243,535
Public safety:				
Fire administration	547,812	2,437,695	(4,043)	2,981,464
Fire operations	28,919,849	3,360,395	(1,386,621)	30,893,623
Fire prevention	1,445,098	22,500	-	1,467,598
Emergency medical services	381,368	35,763	-	417,131
Police	15,068,160	3,060,446	(1,202,830)	16,925,776
Animal services	1,792,433	5,743,532	(44,540)	7,491,425
Municipal court/judge/clerks	491,777	6,330	-	498,107
Total public safety	48,646,497	14,666,661	(2,638,034)	60,675,124
Work in progress	55,103,696	37,985,101	(36,484,026)	56,604,771
Total governmental funds capital assets	$ 450,011,649	$ 84,488,376	$ (40,680,433)	$ 493,819,592

*This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.


CITY
OF
DENTON

STATISTICAL SECTION

This part of the City of Denton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (Tables 1 – 4)

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. These tables do not include the Electric fund information due to confidentiality of information necessary for competitive rates. (Tables 5 – 8)

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current level of outstanding debt and the city's ability to issue additional debt in the future. (Tables 9 – 12)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. (Tables 13 – 14)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. (Tables 15 – 17)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	$ 102,040,021	$ 102,110,134	$ 104,636,239	$ 103,073,465	$ 101,784,929
Restricted	1,454,579	1,947,553	2,894,676	2,839,556	3,460,027
Unrestricted	37,610,966	38,252,078	46,480,569	34,590,673	35,005,109
Total governmental activities net position	141,105,566	142,309,765	154,011,484	140,503,694	140,250,065
Business-type activities					
Net investment in capital assets	263,325,859	282,463,031	277,356,195	296,006,601	315,479,026
Restricted	33,087,609	33,380,595	30,598,923	30,454,314	28,559,731
Unrestricted	107,545,434	109,826,810	131,497,936	158,120,736	169,653,341
Total business-type activities net position	403,958,902	425,670,436	439,453,054	484,581,651	513,692,098
Primary government					
Net investment in capital assets	365,365,880	384,573,165	381,992,434	399,080,066	417,263,955
Restricted	34,542,188	35,328,148	33,493,599	33,293,870	32,019,758
Unrestricted	145,156,400	148,078,888	177,978,505	192,711,409	204,658,450
Total primary government net position	$ 545,064,468	$ 567,980,201	$ 593,464,538	$ 625,085,345	$ 653,942,163

(continued on the following page)

Source: Comprehensive Annual Financial Reports

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT (concluded)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	$ 116,146,838	$ 128,915,116	$ 141,914,877	$ 145,309,987	$ 165,408,284
Restricted	4,116,256	12,233,226	13,215,421	13,736,624	14,530,908
Unrestricted	35,136,072	28,096,148	(8,775,520)	(3,620,580)	(6,509,698)
Total governmental activities net position	155,399,166	169,244,490	146,354,778	155,426,031	173,429,494
Business-type activities					
Net investment in capital assets	347,780,207	383,678,313	421,894,337	460,330,063	502,801,204
Restricted	28,654,879	28,056,605	25,356,458	8,892,547	11,516,207
Unrestricted	158,145,443	139,515,508	122,542,446	151,234,604	145,191,889
Total business-type activities net position	534,580,529	551,250,426	569,793,241	620,457,214	659,509,300
Primary government					
Net investment in capital assets	463,927,045	512,593,429	563,809,214	605,640,050	668,209,488
Restricted	32,771,135	40,289,831	38,571,879	22,629,171	26,047,115
Unrestricted	193,281,515	167,611,656	113,766,926	147,614,024	138,682,191
Total primary government net position	$ 689,979,695	$ 720,494,916	$ 716,148,019	$ 775,883,245	$ 832,938,794

(concluded)

Source: Comprehensive Annual Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012
EXPENSES					
Governmental activities:					
General government	$ 26,408,949	$ 27,482,131	$29,569,535	$28,198,604	$29,421,275
Public safety	43,426,526	45,368,783	47,998,906	49,154,371	52,496,010
Public works	15,448,473	15,816,065	15,767,926	16,089,302	18,662,029
Parks and recreation	12,927,020	12,755,037	12,854,336	12,421,893	12,968,426
Interest expense	5,372,868	5,733,268	5,121,329	5,046,724	4,755,938
Total governmental activities expenses	103,583,836	107,155,284	111,312,032	110,910,894	118,303,678
Business-type activities:					
Electric system	138,791,009	124,901,262	114,903,831	117,769,599	122,428,808
Water system	26,226,068	28,636,190	27,219,944	28,293,109	26,822,690
Wastewater system	19,413,247	19,909,229	20,560,600	20,455,424	20,890,614
Solid waste	17,065,295	18,036,331	18,028,832	20,008,746	21,695,322
Airport	-	-	-	1,326,397	1,472,155
Total business-type activities expenses	201,495,619	191,483,012	180,713,207	187,853,275	193,309,589
Total primary government expenses	305,079,455	298,638,296	292,025,239	298,764,169	311,613,267
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	3,310,592	4,792,856	3,551,733	4,108,687	3,873,349
Public safety	6,461,037	6,554,619	6,431,007	7,075,328	7,069,770
Public works	853,091	586,377	1,425,683	525,024	1,086,269
Parks and recreation	3,292,528	2,990,921	3,372,579	3,964,517	3,951,433
Operating grants and contributions	3,306,325	2,281,136	3,407,085	4,270,697	2,598,157
Capital grants and contributions	7,308,398	3,641,296	15,206,424	7,497,908	4,292,468
Total governmental activities program revenues	24,531,971	20,847,205	33,394,511	27,442,161	22,871,446
Business-type activities:					
Charges for services:					
Electric system	138,467,222	128,511,236	119,156,314	131,435,554	132,352,950
Water system	30,843,797	30,067,774	28,407,954	36,790,720	36,265,061
Wastewater system	23,184,369	22,342,174	21,917,651	23,338,841	24,570,095
Solid waste	16,660,375	18,386,616	18,432,245	20,979,967	22,944,272
Airport	-	-	-	3,203,426	1,909,619
Capital grants and contributions	5,742,139	8,099,722	5,153,568	5,053,024	4,317,463
Total business-type activities program revenues	214,897,902	207,407,522	193,067,732	220,801,532	222,359,460
Total primary government program revenues	239,429,873	228,254,727	226,462,243	248,243,693	245,230,906
NET (EXPENSE)/REVENUE					
Governmental activities	(79,051,865)	(86,308,079)	(77,917,521)	(83,468,733)	(95,432,232)
Business-type activities	13,402,283	15,924,510	12,354,525	32,948,257	29,049,871
Total primary government program net expense	$ (65,649,582)	$ (70,383,569)	$ (65,562,996)	$ (50,520,476)	$ (66,382,361)

(continued on the following page)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2013	2014	2015	2016	2017
EXPENSES					
Governmental activities:					
General government	$27,686,735	$30,476,840	$31,260,126	$33,847,052	$40,761,972
Public safety	52,906,985	56,893,859	58,132,146	63,118,516	68,546,557
Public works	18,663,884	16,950,280	20,331,934	24,557,482	24,994,628
Parks and recreation	13,714,245	14,543,461	14,982,742	16,043,697	16,792,417
Interest expense	4,464,309	4,339,154	4,384,973	4,664,608	4,970,968
Total governmental activities expenses	117,436,158	123,203,594	129,091,921	142,231,355	156,066,542
Business-type activities:					
Electric system	146,246,880	157,906,294	158,106,661	145,963,753	174,900,860
Water system	26,814,020	24,023,392	25,870,489	26,000,734	28,202,500
Wastewater system	21,467,088	22,176,191	24,307,305	23,921,154	26,730,157
Solid waste	21,730,796	23,844,055	26,766,890	29,435,101	34,532,856
Airport	1,608,989	2,435,446	2,100,281	2,536,460	1,930,767
Total business-type activities expenses	217,867,773	230,385,378	237,151,626	227,857,202	266,297,140
Total primary government expenses	335,303,931	353,588,972	366,243,547	370,088,557	422,363,682
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	4,105,648	4,645,655	5,364,405	6,015,305	5,266,777
Public safety	7,767,083	7,064,927	7,276,024	9,827,784	8,773,221
Public works	1,159,605	885,010	707,604	729,528	879,453
Parks and recreation	4,059,383	5,833,238	4,926,465	5,268,637	4,414,379
Operating grants and contributions	3,118,105	4,788,149	3,380,119	2,855,501	4,667,791
Capital grants and contributions	14,671,571	11,127,695	10,443,220	5,885,033	17,180,091
Total governmental activities program revenues	34,881,395	34,344,674	32,097,837	30,581,788	41,181,712
Business-type activities:					
Charges for services:					
Electric system	136,655,892	150,362,507	167,696,288	166,290,498	172,027,080
Water system	37,586,306	34,865,803	37,572,331	38,181,034	41,332,006
Wastewater system	26,588,179	28,629,754	30,790,885	31,900,885	33,360,603
Solid waste	24,468,976	25,980,914	29,091,216	31,236,506	33,847,593
Airport	1,880,812	1,925,825	1,277,402	1,183,661	1,495,619
Capital grants and contributions	9,877,185	5,656,622	8,593,699	7,705,101	20,347,889
Total business-type activities program revenues	237,057,350	247,421,425	275,021,821	276,497,685	302,410,790
Total primary government program revenues	271,938,745	281,766,099	307,119,658	307,079,473	343,592,502
NET (EXPENSE)/REVENUE					
Governmental activities	(82,554,763)	(88,858,920)	(96,994,084)	(111,649,567)	(114,884,830)
Business-type activities	19,189,577	17,036,047	37,870,195	48,640,483	36,113,650
Total primary government program net expense	$ (63,365,186)	$ (71,822,873)	$ (59,123,889)	$ (63,009,084)	$ (78,771,180)

(continued on the following page)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Property tax	$ 41,499,791	$ 43,187,433	$43,144,645	$44,144,844	$45,174,160
Sales tax[1]	21,440,839	20,466,772	20,484,954	22,871,282	25,886,940
Franchise tax	16,197,042	15,669,981	17,457,994	19,324,244	19,336,701
Hotel occupancy tax	1,369,667	1,239,261	1,302,617	1,513,468	1,555,347
Beverage tax	319,541	338,700	347,940	359,671	345,032
Bingo tax	23,653	22,915	22,611	21,963	20,889
Investment income	3,287,282	2,413,339	684,709	459,615	581,849
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	4,214,028	3,327,758	5,690,969	2,370,682	1,390,398
Transfers	323,038	846,119	482,801	(10,430,082)	887,287
Total governmental activities	88,674,881	87,512,278	89,619,240	80,635,687	95,178,603
Business-type activities:					
Investment income	7,817,671	6,075,453	1,653,515	1,472,078	1,638,830
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	195,055	557,690	257,379	278,180	(690,967)
Transfers	(323,038)	(846,119)	(482,801)	10,430,082	(887,287)
Total business-type activities	7,689,688	5,787,024	1,428,093	12,180,340	60,576
Total primary government	96,364,569	93,299,302	91,047,333	92,816,027	95,239,179
CHANGE IN NET POSITION					
Governmental activities	9,623,016	1,204,199	11,701,719	(2,833,046)	(253,629)
Business-type activities	21,091,971	21,711,534	13,782,618	45,128,597	29,110,447
Total primary government	$ 30,714,987	$ 22,915,733	$ 25,484,337	$ 42,295,551	$ 28,856,818

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2013	2014	2015	2016	2017
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION (concluded)					
Governmental activities:					
Taxes:					
Property tax	$47,275,552	$48,833,077	$54,174,965	$58,788,255	$64,348,754
Sales tax[1]	26,522,473	27,764,114	30,601,965	32,624,297	36,841,137
Franchise tax	19,901,459	21,001,427	21,996,031	22,659,014	24,211,081
Hotel occupancy tax	1,910,125	1,982,643	2,156,294	2,243,264	2,374,221
Beverage tax	392,192	419,498	573,758	597,284	617,662
Bingo tax	20,774	20,684	20,380	18,910	13,633
Investment income	354,089	563,236	759,334	1,019,594	1,330,008
Gain on sale of capital assets	-	-	707,966	498,265	192,583
Miscellaneous	1,428,907	1,980,545	1,220,060	1,087,504	2,042,274
Transfers	(101,707)	876,525	1,140,938	1,184,433	916,940
Total governmental activities	97,703,864	103,441,749	113,351,691	120,720,820	132,888,293
Business-type activities:					
Investment income	1,085,856	1,355,730	1,692,971	2,010,008	3,471,635
Gain on sale of capital assets	-	-	42,455	1,197,915	383,741
Miscellaneous	511,291	521,013	-	-	-
Transfers	101,707	(876,525)	(1,140,938)	(1,184,433)	(916,940)
Total business-type activities	1,698,854	1,000,218	594,488	2,023,490	2,938,436
Total primary government	99,402,718	104,441,967	113,946,179	122,744,310	135,826,729
CHANGE IN NET POSITION					
Governmental activities	15,149,101	14,582,829	16,357,607	9,071,253	18,003,463
Business-type activities	20,888,431	18,036,265	38,464,683	50,663,973	39,052,086
Total primary government	$ 36,037,532	$ 32,619,094	$ 54,822,290	$ 59,735,226	$ 57,055,549

(concluded)

Source: Comprehensive Annual Financial Reports

[1] Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2008	2009	2010	2011[1]	2012
General fund					
Reserved for encumbrances	$ 123,696	$ -	$ -	$ -	$ -
Unreserved, designated	-	-	-	-	-
Committed to streets	-	-	-	921,779	-
Assigned to use of reserves	-	-	-	668,116	664,894
Unreserved, undesignated, unassigned	25,253,797	22,794,955	21,526,779	22,834,108	25,171,186
Total general fund	25,377,493	22,794,955	21,526,779	24,424,003	25,836,080
All other governmental funds					
Reserved for:					
Debt service	1,954,955	2,414,288	3,354,535	-	-
Capital projects	57,887,531	35,339,606	44,970,571	-	-
Encumbrances	5,515	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	9,534,627	16,435,449	13,838,425	-	-
Restricted for:					
Debt Service	-	-	-	3,279,080	3,824,438
Parks and recreation	-	-	-	9,561,244	10,496,887
Streets and drainage projects	-	-	-	21,857,670	22,004,377
Other capital projects	-	-	-	5,907,877	8,444,073
Other grants and purposes	-	-	-	1,223,822	1,789,241
Committed to:					
Streets	-	-	-	-	991,942
Parks and recreation	-	-	-	1,427,717	570,534
Other purposes	-	-	-	1,867,639	1,468,837
Assigned to:					
Streets and drainage projects	-	-	-	724,241	-
Other capital projects	-	-	-	1,332,105	3,003,344
Other purposes	-	-	-	77,341	49,026
Unassigned	-	-	-	(758,734)	(91,145)
Total all other governmental funds	$ 69,382,628	$ 54,189,343	$ 62,163,531	$ 46,500,002	$ 52,551,554

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1]**The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.**

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017
General fund					
Reserved for encumbrances	$ -	$ -	$ -	$ -	$ -
Unreserved, designated	-	-	-	-	-
Committed to streets	-	-	-	-	-
Assigned to use of reserves	1,377,039	661,545	-	99,365	-
Unreserved, undesignated, unassigned	24,378,139	25,176,737	27,365,168	28,070,483	31,770,773
Total general fund	25,755,178	25,838,282	27,365,168	28,169,848	31,770,773
All other governmental funds					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Encumbrances	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	-	-
Restricted for:					
Debt Service	4,572,807	4,726,841	4,791,880	4,893,032	5,409,144
Parks and recreation	9,220,953	11,584,890	14,288,659	13,553,834	10,599,568
Streets and drainage projects	23,759,574	25,790,648	42,537,941	46,511,509	51,149,305
Other capital projects	12,231,061	11,925,978	10,603,695	13,512,733	18,544,086
Other grants and purposes	2,223,626	2,465,093	3,218,466	3,319,230	4,104,036
Committed to:					
Streets	1,330,184	916,613	1,388,223	1,798,624	1,158,667
Parks and recreation	590,062	573,429	513,484	498,150	439,825
Other purposes	1,801,661	3,560,159	4,430,392	5,500,983	6,889,093
Assigned to:					
Streets and drainage projects	144,485	423,152	2,214,613	3,430,681	7,897,077
Other capital projects	2,599,101	2,868,390	1,666,029	3,728,955	6,945,492
Other purposes	56,900	34,847	49,630	74,558	59
Unassigned	(8,901)	(144,084)	(73,857)	(242,338)	(2,942,377)
Total all other governmental funds	$ 58,521,513	$ 64,725,956	$ 85,629,155	$ 96,579,951	$ 110,193,975

(concluded)

Source: Comprehensive Annual Financial Reports

[1]The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012
REVENUES:					
Taxes:					
Property tax	$ 41,436,012	$ 42,980,209	$ 43,326,427	$ 44,147,706	$ 45,116,485
Sales tax[1]	21,440,839	20,466,772	20,484,954	22,871,282	25,886,940
Hotel occupancy tax	1,369,667	1,239,261	1,302,617	1,513,468	1,555,347
Beverage tax	319,541	338,700	347,940	359,671	345,032
Bingo tax	23,653	22,915	22,611	21,963	20,889
Licenses and permits	1,080,580	1,265,733	1,198,552	1,460,548	1,436,215
Franchise fees	16,197,042	15,669,981	17,457,994	19,324,244	19,336,701
Fines and forfeitures	5,262,189	4,972,905	4,828,159	4,929,110	5,462,133
Fees for services	7,951,665	7,595,440	12,244,258	8,395,583	8,519,763
Investment revenue	3,287,282	2,415,817	684,709	459,615	581,849
Intergovernmental	8,094,307	4,049,439	16,639,038	10,896,063	6,739,864
Miscellaneous	3,778,673	3,183,891	1,002,133	1,911,634	1,171,618
Total revenues	110,241,450	104,201,063	119,539,392	116,290,887	116,172,836
EXPENDITURES:					
General government	24,110,329	25,223,041	26,909,485	25,784,296	24,359,018
Public safety	40,855,112	42,540,423	44,398,442	46,561,747	48,118,051
Public works	6,596,191	6,753,314	6,517,717	7,483,926	8,608,554
Parks and recreation	11,557,168	11,444,577	11,072,061	10,913,450	11,315,951
Capital outlay	23,275,703	21,863,647	14,164,662	12,937,053	10,983,987
Debt service:					
Principal retirement	8,479,136	9,479,243	9,277,804	9,670,892	9,770,660
Advance refunding escrow	-	148,575	-	-	130,111
Bond issuance costs	530,137	105,392	78,919	29,156	163,811
Interest and other charges	5,261,346	5,570,770	5,095,245	5,070,734	4,758,305
Total expenditures	120,665,122	123,128,982	117,514,335	118,451,254	118,208,448
Excess (deficiency) of revenues over (under) expenditures	(10,423,672)	(18,927,919)	2,025,057	(2,160,367)	(2,035,612)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	24,595,000	6,120,000	3,460,000	-	10,173,303
Payment to refunded bond escrow agent	(25,117,336)	(6,265,255)	(3,774,764)	-	(11,432,581)
Issuance of long-term debt	22,230,000	-	6,905,000	5,680,000	8,020,000
Premium on debt issuance	937,755	246,012	498,682	32,628	2,016,193
Insurance recoveries	-	-	-	-	19,961
Proceeds of capital lease	69,897	-	-	-	-
Sale of capital assets	582,087	44,865	160,495	303,307	153,127
Transfers in	2,406,678	10,286,496	5,815,769	1,968,253	4,741,735
Transfers (out)	(1,833,960)	(9,280,022)	(8,384,227)	(7,915,382)	(4,192,497)
Total other financing sources (uses)	23,870,121	1,152,096	4,680,955	68,806	9,499,241
NET CHANGE IN FUND BALANCES	$ 13,446,449	$ (17,775,823)	$ 6,706,012	$ (2,091,561)	$ 7,463,629
Debt service as a percentage of noncapital expenditures	14.1%	14.9%	13.9%	14.0%	13.6%

Source: Comprehensive Annual Financial Reports

(continued on the following page)

[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017
REVENUES:					
Taxes:					
Property tax	$ 47,330,522	$ 48,872,016	$ 54,230,541	$ 58,802,856	$ 64,317,641
Sales tax[1]	26,522,473	27,764,114	30,601,965	32,624,297	36,841,137
Hotel occupancy tax	1,910,125	1,982,643	2,156,294	2,243,264	2,374,221
Beverage tax	392,192	419,498	573,758	597,284	617,662
Bingo tax	20,774	20,684	20,380	18,910	13,633
Licenses and permits	1,446,580	1,978,421	2,782,395	3,106,162	3,016,697
Franchise fees	19,901,459	21,001,427	21,996,031	22,659,014	24,211,081
Fines and forfeitures	5,342,966	6,261,579	6,505,175	6,433,158	6,039,401
Fees for services	8,683,278	10,187,195	9,391,260	10,927,305	10,395,166
Investment revenue	354,089	563,236	759,334	1,019,594	1,330,008
Intergovernmental	9,914,834	10,986,128	10,236,689	5,217,302	9,647,977
Miscellaneous	1,322,762	2,648,160	1,387,127	1,347,258	2,382,708
Total revenues	123,142,054	132,685,101	140,640,949	144,996,404	161,187,332
EXPENDITURES:					
General government	25,047,062	28,188,722	29,277,275	31,024,356	31,330,757
Public safety	51,303,825	53,380,064	55,978,174	59,067,019	61,156,694
Public works	9,425,446	9,979,997	12,439,131	11,604,966	15,871,804
Parks and recreation	12,274,908	12,808,701	13,277,516	13,987,694	14,140,518
Capital outlay	20,038,064	20,660,461	23,712,400	25,966,695	38,191,803
Debt service:					
Principal retirement	10,017,719	10,703,071	11,918,983	13,390,576	14,351,487
Advance refunding escrow	110,145	-	120,519	147,687	103,950
Bond issuance costs	181,308	86,800	181,409	154,948	171,252
Interest and other charges	4,552,348	4,741,257	4,647,528	5,246,925	5,819,949
Total expenditures	132,950,825	140,549,073	151,552,935	160,590,866	181,138,214
Excess (deficiency) of revenues over (under) expenditures	(9,808,771)	(7,863,972)	(10,911,986)	(15,594,462)	(19,950,882)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	6,182,405	3,130,000	14,290,000	12,045,000	10,850,000
Payment to refunded bond escrow agent	(6,547,180)	(3,194,293)	(15,604,758)	(14,075,445)	(11,358,665)
Issuance of long-term debt	14,765,000	12,635,000	29,240,000	22,780,000	33,405,000
Premium on debt issuance	1,232,674	635,037	3,214,914	4,317,817	3,077,360
Insurance recoveries	-	-	-	30,624	86,992
Proceeds of capital lease	-	-	-	150,155	-
Sale of capital assets	148,417	85,059	715,685	530,054	236,068
Transfers in	2,980,448	3,596,433	4,557,824	8,164,575	10,856,904
Transfers (out)	(3,063,936)	(2,735,717)	(3,071,594)	(6,592,842)	(9,987,828)
Total other financing sources (uses)	15,697,828	14,151,519	33,342,071	27,349,938	37,165,831
NET CHANGE IN FUND BALANCES	$ 5,889,057	$ 6,287,547	$ 22,430,085	$ 11,755,476	$ 17,214,949
Debt service as a percentage of noncapital expenditures	12.9%	12.9%	13.0%	13.8%	14.1%

Source: Comprehensive Annual Financial Reports **(concluded)**

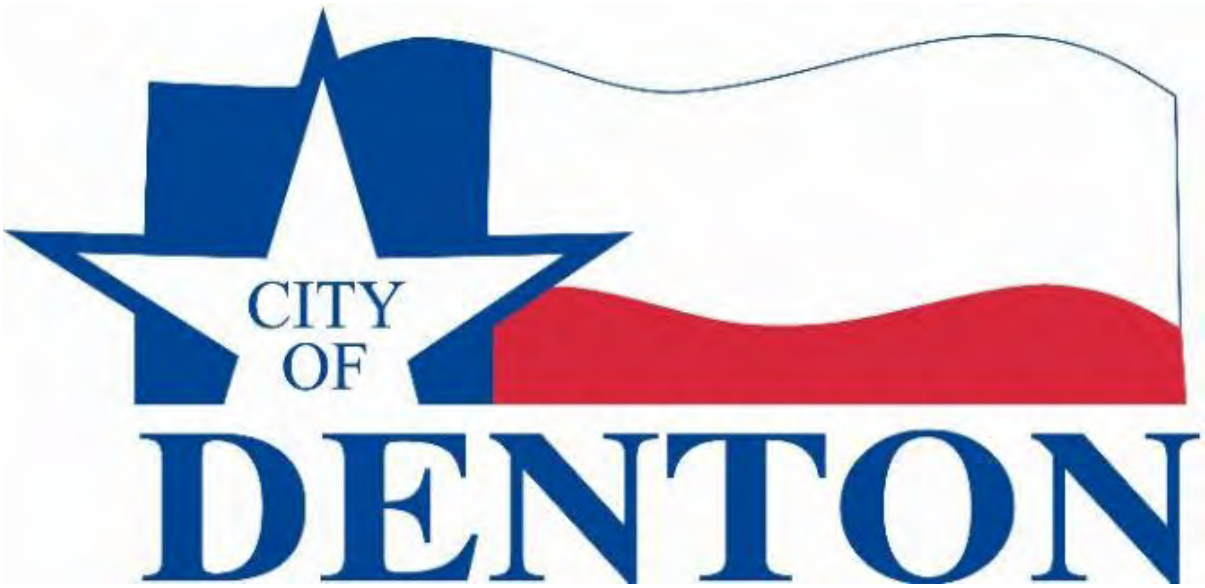
[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 5**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[1]	Total Direct Tax Rate
2008	$ 6,159,567,238	$ 969,219,527	$ 1,039,286,990	$ 6,089,499,775	$ 0.66652
2009	6,443,103,507	938,547,047	1,090,291,442	6,291,359,112	0.66652
2010	6,619,118,472	922,539,801	1,213,749,251	6,327,909,022	0.66652
2011	6,744,096,534	879,202,496	1,393,181,072	6,230,117,958	0.68975
2012	6,903,311,493	933,580,101	1,424,516,590	6,412,375,004	0.68975
2013	7,083,330,127	1,125,646,116	1,492,264,875	6,716,711,368	0.68975
2014	7,427,124,969	1,161,189,421	1,609,090,116	6,979,224,274	0.68975
2015	8,285,049,321	1,329,999,883	1,817,871,596	7,797,177,608	0.68975
2016	8,989,650,946	1,332,290,743	1,858,794,929	8,463,146,760	0.68975
2017	9,784,179,133	1,429,040,012	2,040,968,652	9,172,250,493	0.68334

Source: Denton Central Appraisal District

[1]**Total Taxable Assessed Value from 2013-2017 include the Downtown and West Park TIRZ's.**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CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	City of Denton			Overlapping Rates		
					School Districts	
Fiscal Year	Operating Rate	Debt Service Rate	Total Direct Rate	Denton County	Denton Independent School District	Argyle Independent School District
2008	$ 0.44765	$ 0.21887	$ 0.66652	$ 0.235890	$ 1.43400	$ 1.410050
2009	0.44765	0.21887	0.66652	0.235770	1.49000	1.410050
2010	0.44765	0.21887	0.66652	0.249800	1.49000	1.410050
2011	0.47088	0.21887	0.68975	0.273900	1.53000	1.440050
2012	0.47088	0.21887	0.68975	0.277357	1.53000	1.460050
2013	0.47088	0.21887	0.68975	0.282867	1.53000	1.480050
2014	0.47480	0.21495	0.68975	0.284914	1.53000	1.475000
2015	0.48119	0.20856	0.68975	0.272200	1.54000	1.570050
2016	0.47456	0.21519	0.68975	0.262000	1.54000	1.570050
2017	0.46674	0.21660	0.68334	0.248409	1.54000	1.570050

(continued on the following page)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE) (concluded)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	Overlapping Rates					
	School Districts					
Fiscal Year	Aubrey Independent School District	Krum Independent School District	Pilot Point Independent School District	Ponder Independent School District	Sanger Independent School District	Total Direct & Overlapping Rates (Range)
2008	$ 1.398060	$ 1.365500	$ 1.300000	$ 1.228210	$ 1.340000	2.130620 - 2008.902410
2009	1.485600	1.365500	1.390000	1.321220	1.370000	2.223510 - 2009.902290
2010	1.540000	1.440000	1.370000	1.309028	1.360000	2.225348 - 2010.916320
2011	1.540000	1.480000	1.370000	1.324890	1.360000	2.288540 - 2011.963650
2012	1.540000	1.540000	1.370000	1.344610	1.372067	2.311717 - 2012.967107
2013	1.540000	1.520000	1.370000	1.353292	1.372067	2.325909 - 2013.972617
2014	1.510000	1.540000	1.370000	1.385000	1.372070	2.344664 - 2014.974664
2015	1.510000	1.540000	1.370000	1.380800	1.372067	2.331950 - 2015.961950
2016	1.510000	1.540000	1.370000	1.387500	1.372067	2.321750 - 2016.951750
2017	1.510000	1.540000	1.370000	1.467840	1.372067	2.301749 - 2017.931749

(concluded)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

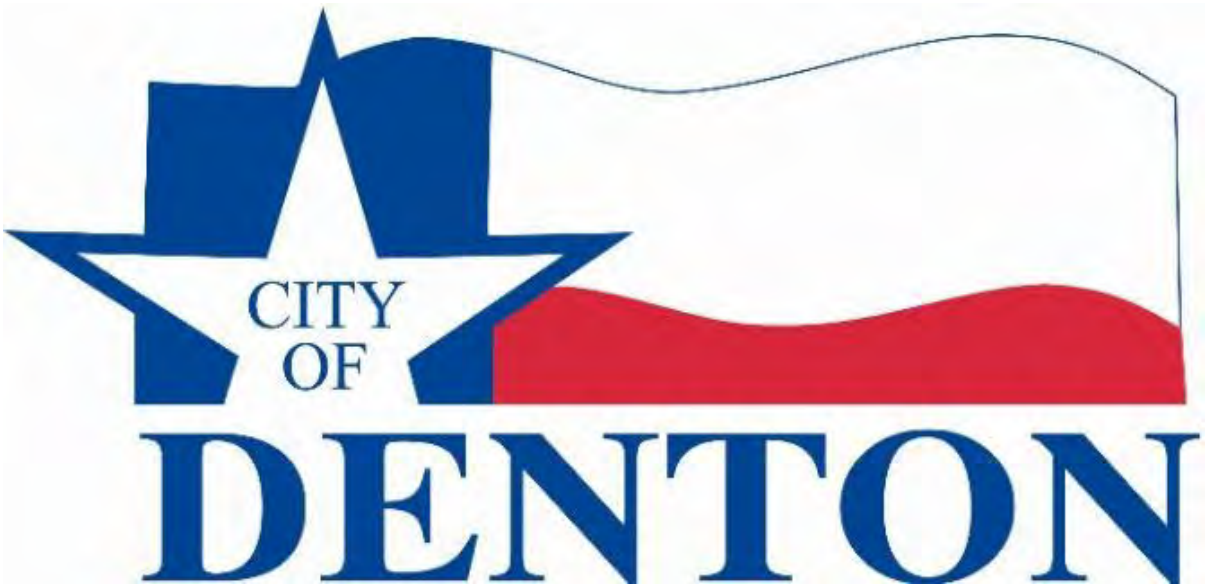
CITY OF DENTON, TEXAS **Table 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

2017			2008		
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[1]	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[2]
Well Services Division of STC (Schlumberger)	$152,349,530	1.66%	TTHR Limited Partnership (Presbyterian Hospital)	$100,780,067	1.65%
PACCAR Inc. (Peterbilt)	101,024,543	1.10%	Columbia Medical Center of Denton (Denton Regional Hospital)	80,454,725	1.32%
Columbia Medical Center of Denton (Denton Regional Hospital)	86,120,882	0.94%	Inland Western Crossing	56,310,992	0.92%
Inland Western Crossing (Denton Crossing Shopping Center)	52,782,340	0.58%	United Copper	40,387,520	0.66%
Cypress Denton Station LTD (Forum at Denton Station Apartments)	52,416,833	0.57%	Allegiance Hillview LLP	36,391,205	0.60%
Timber Links Apartments LLC (The Timber Links)	43,509,314	0.47%	PACCAR Inc (Peterbilt)	35,052,300	0.58%
RR Marketplace LP (Rayzor Ranch Town Center)	40,220,266	0.44%	Anderson Merchandisers	34,492,145	0.57%
HRA University Courtyard LLC (University Courtyard Apartments)	34,935,824	0.38%	Verizon Southwest	34,386,920	0.56%
GMT Development LTD	30,446,286	0.33%	FMP Denton	25,495,405	0.42%
GTE Southwest, Inc.	29,347,570	0.32%	Robson Denton Dev LP	24,562,198	0.40%
Total	$ 623,153,388	6.79%	Total	$ 468,313,477	7.69%

Source: Denton Central Appraisal District

[1]**Total taxable assessed value for tax year 2016 (fiscal year 2017) is $9,172,250,493.**

[2]**Total taxable assessed value for tax year 2007 (fiscal year 2008) is $6,089,499,772**


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	
2008	$ 40,816,256	$ 44,742	$ 40,860,998	$ 40,354,528	98.76%	$ 460,097
2009	43,086,123	56,862	43,142,985	42,423,707	98.33%	636,661
2010	42,898,414	56,142	42,954,556	42,448,364	98.82%	429,151
2011	43,890,121	(2,755)	43,887,366	43,447,508	99.00%	378,294
2012	44,856,277	21,898	44,878,175	44,461,501	99.07%	338,151
2013	46,965,495	37,848	47,003,343	46,638,975	99.22%	266,302
2014	48,398,900	56,664	48,455,564	48,083,910	99.23%	265,431
2015	53,829,793	(147,846)	53,681,947	53,503,029	99.67%	31,504
2016	58,634,172	(51,097)	58,583,075	58,280,013	99.48%	109,365
2017	64,030,255	-	64,030,255	63,702,954	99.49%	-

(continued on the following page)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS (concluded)
LAST TEN FISCAL YEARS

Fiscal Year	Total Collections to Date	
	Amount	Percentage of Levy
2008	$ 40,814,625	99.89%
2009	43,060,368	99.81%
2010	42,877,515	99.82%
2011	43,825,802	99.86%
2012	44,799,652	99.83%
2013	46,905,277	99.79%
2014	48,349,341	99.78%
2015	53,534,533	99.73%
2016	58,389,378	99.67%
2017	63,702,954	99.49%
		(concluded)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation
2008	$ 80,814,594	$ 55,097,550	$ 1,645,160	$ 1,819,298	$ 282,200,000	$ 4,865,406	$ 12,952,450
2009	77,358,650	48,611,150	1,658,410	2,769,671	266,705,000	4,366,350	11,243,850
2010	77,314,650	45,727,950	1,798,093	1,771,952	209,885,000	39,600,350	126,207,050
2011	73,395,650	43,036,419	1,475,673	1,879,906	187,525,000	47,209,350	150,553,581
2012	80,013,439	33,910,342	3,272,887	1,891,895	156,855,000	59,301,561	181,314,658
2013	80,719,761	37,514,485	3,737,386	983,249	144,225,000	55,970,239	222,955,515
2014	78,316,161	41,570,000	3,593,057	1,102,864	112,170,000	79,188,839	290,640,000
2015	95,019,058	41,590,000	6,039,823	2,079,227	63,340,000	108,585,942	359,375,000
2016	109,861,174	34,565,000	9,250,779	1,373,230	-	141,063,826	416,465,000
2017	118,267,663	49,285,000	10,994,176	498,062	214,890,000	127,677,337	467,620,000

(continued on the following page)

Source: Comprehensive Annual Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE (concluded)
LAST TEN FISCAL YEARS

Fiscal Year	Business-Type Activities		Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
	Premiums, Discounts	Other Obligations			
2008	$ 6,265,197	$ 5,713,041	$ 451,374,704	0.01866%	$ 4,141.81
2009	5,586,295	3,161,549	421,462,934	0.01667%	3,791.50
2010	14,799,674	1,824,177	518,930,906	0.02103%	4,576.80
2011	13,078,316	1,279,130	519,435,036	0.01982%	4,535.88
2012	17,869,148	713,408	535,144,350	0.02150%	4,626.79
2013	18,645,703	363,487	565,116,838	0.02040%	4,813.72
2014	23,263,019	-	629,845,954	0.02145%	5,285.81
2015	27,564,104	-	703,595,169	0.02398%	5,817.48
2016	38,514,641	-	751,095,666	0.02545%	6,118.46
2017	69,029,540	-	1,058,263,795	0.03267%	8,466.92

(concluded)

Source: Comprehensive Annual Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]**See Table 13 for personal income and population data.**

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Business-Type Activity Debt	Total	Percentage of Actual Taxable Value of Property[1]	Per Capita[2]
2008	$ 85,680,000	$ 68,050,000	$ 1,758,493	$ 1,454,579	$ 17,931,189	$ 136,102,725	2.24%	$ 1,248.88
2009	81,725,000	59,855,000	1,779,105	1,947,553	15,730,895	125,680,657	2.00%	1,130.63
2010	116,915,000	171,935,000	11,933,474	2,894,676	175,942,781	121,946,017	1.93%	1,075.52
2011	120,605,000	193,590,000	10,580,069	2,839,556	206,867,327	115,068,186	1.85%	1,004.81
2012	139,315,000	215,225,000	18,283,190	3,460,027	255,626,522	113,736,641	1.77%	983.35
2013	136,690,000	260,470,000	20,029,829	4,116,256	295,218,197	117,855,376	1.75%	1,003.90
2014	157,505,000	332,210,000	25,434,647	4,261,848	391,670,429	119,217,370	1.71%	1,000.50
2015	203,605,000	400,965,000	33,414,816	4,260,793	495,335,935	138,388,088	1.77%	1,144.22
2016	250,925,000	451,030,000	47,765,420	4,314,370	596,043,467	149,362,583	1.76%	1,216.71
2017	245,945,000	516,905,000	49,644,634	4,666,797	633,947,795	173,880,042	1.90%	1,391.17

Source: Comprehensive Annual Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 5 for property value data.

[2]See Table 13 for population data.

CITY OF DENTON, TEXAS **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton Independent School District	$ 817,694,104	63.71%	$ 520,952,914
Denton County	645,305,000	12.48%	80,534,064
Argyle Independent School District	127,941,246	11.72%	14,994,714
Aubrey Independent School District	46,610,891	0.13%	60,594
Krum Independent School District	40,496,569	5.95%	2,409,546
Pilot Point Independent School District	16,730,000	0.15%	25,095
Ponder Independent School District	19,715,000	1.39%	274,039
Sanger Independent School District	21,198,960	0.53%	112,354
Subtotal, overlapping debt			619,363,320
City of Denton, direct debt		100.00%	179,044,901
Total direct and overlappping debt			$ 798,408,221
Ratio of direct and overlapping funded debt to the City's taxable assessed valuation			8.70%
Per capita overlapping funded debt			$ 6,388

Source: Compiled by First Southwest Company using data from the "Texas Municipal Report" prepared for the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denton. This process recognizes that, when considering the City of Denton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Denton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds					
Fiscal Year	Operating Revenue	Investment Revenue	Less: Fair Market Value Adjustment to Investment Revenue[2]	Impact Fee Revenue	Less: Operating Expenses Before Depreciation	Add: Franchise Fees and Return on Investment Paid to General Fund[3]
2008	$ 185,874,450	$ 7,458,605	$ 69,292	$ 6,620,938	$ 158,245,885	$ 11,862,151
2009	176,464,357	5,817,918	930,936	4,456,827	147,392,056	11,325,647
2010	166,295,694	1,593,161	(550,830)	3,186,225	137,201,402	12,828,293
2011	186,359,226	1,340,539	(66,712)	5,205,889	136,774,866	14,304,393
2012	189,645,277	1,477,452	110,626	3,542,829	139,801,421	14,414,769
2013	197,126,041	983,424	(227,534)	3,704,336	164,688,198	14,582,800
2014	208,666,178	1,225,879	46,226	5,191,886	175,620,125	15,278,150
2015	229,583,483	1,512,820	156,230	6,476,021	175,131,645	16,356,904
2016	229,086,008	1,772,813	(43,392)	7,286,409	163,392,323	17,027,566
2017	239,310,663	3,150,469	(737,238)	7,409,026	182,455,762	18,215,432

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1]The Utility System includes the Electric, Water, and Wastewater funds.

[2]For the coverage calculation, the fair market adjustment to the value of investments is excluded.

[3]For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.

[4]Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.

[5]Total times coverage provided to assess total bond debt related to the Utility System.

CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE (concluded)
LAST TEN FISCAL YEARS

		Utility System[1] Revenue Bonds						
		Revenue Bond Debt			Certificate of Obligation & General Obligation Bond Debt			
Fiscal Year	Net Available Revenue	Principal	Interest	Times Coverage[4]	Principal	Interest	Times Coverage	Total Times Coverage[5]
2008	$ 53,500,967	$ 14,840,000	$ 13,088,928	1.92	$ -	$ -	N/A	1.92
2009	49,741,757	15,935,000	12,267,799	1.76	-	-	N/A	1.76
2010	47,252,801	13,180,000	9,208,682	2.11	-	-	N/A	2.11
2011	70,501,893	8,460,000	7,982,284	4.29	4,610,000	7,315,189	5.91	2.49
2012	69,168,280	12,630,000	7,028,800	3.52	11,880,000	7,477,233	3.57	1.77
2013	51,935,937	13,260,000	6,437,088	2.64	9,940,000	9,115,348	2.73	1.34
2014	54,695,742	11,570,000	4,902,319	3.32	11,860,000	10,306,245	2.47	1.42
2015	78,641,353	10,210,000	2,551,456	6.16	15,535,000	14,115,713	2.65	1.85
2016	91,823,865	10,210,000	2,551,456	7.20	18,800,000	18,258,583	2.48	1.84
2017	86,367,066	-	3,680,389	23.47	25,495,000	21,419,293	1.84	1.71

(concluded)

Source: Comprehensive Annual Financial Reports

[1]The Utility System includes the Electric, Water, and Wastewater funds.

[2]For the coverage calculation, the fair market adjustment to the value of investments is excluded.

[3]For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.

[4]Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.

[5]Total times coverage provided to assess total bond debt related to the Utility System.

CITY OF DENTON, TEXAS **Table 13**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population[1]	Personal Income	Per Capita Income[2]	Median Age[2]	Grade School Enrollment[3]	University Enrollment[4]	Unemployment Rate[5]
2008	108,980	2,419,464,980	22,201	27.9	22,221	43,770	4.4%
2009	111,160	2,527,667,240	22,739	28.8	22,761	45,658	6.5%
2010	113,383	2,467,894,378	21,766	28.9	24,047	47,236	6.3%
2011	114,517	2,621,408,647	22,891	28.9	24,901	47,720	6.7%
2012	115,662	2,489,161,902	21,521	27.0	25,791	48,227	5.0%
2013	117,397	2,769,630,024	23,592	26.9	26,339	48,584	4.9%
2014	119,158	2,936,410,594	24,643	27.5	27,105	48,497	3.9%
2015	120,945	2,934,125,700	24,260	27.9	27,473	49,665	3.2%
2016	122,759	2,950,758,083	24,037	28.4	28,658	50,809	3.5%
2017	124,988	3,239,064,020	25,915	28.5	29,433	50,911	2.9%

Sources:

[1]City of Denton Planning and Development Department estimate. Prior population figures have been adjusted to reflect the 2010 census data.

[2]United States Census and Denton Chamber of Commerce

[3]Denton Independent School District

[4]University of North Texas' and Texas Woman's University's Denton campus enrollment

[5]Texas Workforce Commission estimate

CITY OF DENTON, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table 14

2017			2008		
Name of Employer	Employees	Percentage of Total City Employment	Name of Employer	Employees	Percentage of Total City Employment
University of North Texas	8,738	12.25%	University of North Texas	7,351	12.14%
Denton Independent School District	4,417	6.19%	Denton Independent School District	3,113	5.14%
Peterbilt Motors-Headquarters & Plant	2,314	3.24%	Texas Woman's University	1,586	2.62%
Denton State Supported Living Center	1,700	2.38%	Denton County (in Denton)	1,523	2.51%
Texas Woman's University	1,672	2.34%	Peterbilt Motors	1,500	2.48%
City of Denton	1,630	2.29%	Denton State School	1,500	2.48%
Denton County (in Denton)	1,581	2.22%	City of Denton	1,300	2.15%
Federal Emergency Management Agency	1,100	1.54%	Denton Regional Medical Center	800	1.32%
Texas Presbyterian Hospital	1,076	1.51%	Presbyterian Hospital of Denton	750	1.24%
Columbia Medical Center of Denton	950	1.33%	Jostens	600	0.99%
Total	25,178	35.29%	Total	20,023	33.06%

Source: Office of Economic Development & Denton Chamber of Commerce

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2008**	**2009**	**2010**	**2011**	**2012**
General government	180.63	191.63	194.63	195.00	204.25
Public safety					
Police	217.23	217.23	217.23	222.23	217.23
Fire	162.25	163.25	163.25	163.25	163.25
Animal services	8.00	8.00	8.00	8.00	9.00
Municipal Court/Judge	16.75	16.75	17.50	18.50	19.50
Public works	39.00	39.00	39.00	39.00	41.00
Parks and recreation	144.15	144.15	143.08	142.58	141.08
Electric system	120.50	125.00	129.50	129.50	131.50
Water system	165.00	160.50	158.00	158.50	158.00
Wastewater system	83.37	84.87	86.37	88.37	92.37
Solid waste	88.00	93.50	93.50	98.50	105.50
Airport	-	-	-	5.00	5.50
Materials management	12.50	13.50	13.50	13.50	12.00
Fleet services	19.00	21.00	21.00	21.00	22.00
Technology services	25.00	25.00	25.00	26.00	27.00
Engineering	-	-	-	-	-
Risk Retention	5.00	5.00	5.00	5.00	6.00
Total	1,286.38	1,308.38	1,314.56	1,333.93	1,355.18

(continued on the following page)

Source: City of Denton Budget Office

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2013**	**2014**	**2015**	**2016**	**2017**
General government	210.25	210.25	218.75	229.75	224.75
Public safety					
Police	219.23	225.23	228.23	230.23	249.73
Fire	167.75	167.75	168.25	177.25	184.25
Animal services	11.00	11.00	13.00	13.00	14.00
Municipal Court/Judge	19.50	19.50	19.00	19.00	18.00
Public works	44.00	46.00	49.50	54.50	61.00
Parks and recreation	143.35	145.81	145.81	148.48	157.73
Electric system	143.00	164.00	174.00	188.00	191.00
Water system	154.00	133.50	140.50	144.50	151.50
Wastewater system	97.25	100.75	108.75	111.25	111.25
Solid waste	115.00	117.00	120.00	124.50	132.50
Airport	6.50	6.50	7.50	7.50	6.50
Materials management	13.00	15.00	15.00	16.00	17.00
Fleet services	22.00	22.00	22.00	24.00	24.00
Technology services	29.00	31.00	36.00	36.00	43.00
Engineering	-	31.00	34.00	34.00	35.00
Risk Retention	6.00	6.00	8.00	8.00	9.00
Total	1,400.83	1,452.29	1,508.29	1,565.96	1,630.21

(concluded)

Source: City of Denton Budget Office

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2008**	**2009**	**2010**	**2011**	**2012**
Public Safety					
Police					
Calls for service	**80,117**	**83,557**	**83,746**	**84,899**	**81,104**
Traffic citations issued	**31,610**	**36,598**	**33,990**	**29,162**	**28,327**
Fire					
Fire calls for service	**3,703**	**3,391**	**3,199**	**3,423**	**3,316**
EMS calls for service	**6,862**	**7,017**	**7,255**	**7,458**	**7,657**
Inspections (Businesses)	**3,591**	**3,622**	**4,739**	**4,370**	**4,310**
Animal Services					
Animals sheltered	**4,967**	**4,341**	**5,042**	**4,936**	**5,467**
Animals adopted, transferred, or returned	**2,119**	**2,193**	**3,264**	**3,730**	**4,332**
Public Works					
Street repaving (lane miles)	**41.28**	**17.43**	**10.27**	**8.33**	**15.43**
Pot holes repaired	**6,841**	**11,593**	**20,988**	**10,535**	**10,807**
Cutouts base failures (square feet)	**75,877**	**126,691**	**169,396**	**146,925**	**102,879**
Crack seal maintenance (linear feet)	**40,288**	**55,894**	**53,712**	**116,556**	**117,780**
Parks and Recreation					
Attendance					
Leisure Services	**1,010,351**	**1,031,530**	**1,153,632**	**1,093,705**	**969,858**
Water Park	**169,000**	**179,386**	**193,361**	**200,553**	**212,123**
Total Acres Maintained	**2,633**	**2,633**	**2,633**	**2,570**	**2,405**
Water					
Number of customers	**29,679**	**30,288**	**30,889**	**31,222**	**31,372**
Annual finished water production (in thousand gallons)	**6,582,151**	**6,210,472**	**6,209,966**	**7,331,902**	**6,750,840**
Wastewater					
Number of customers	**28,019**	**28,647**	**29,105**	**29,519**	**29,772**
Annual wastewater discharge (in thousand gallons)	**5,263,780**	**4,733,839**	**5,617,490**	**4,852,097**	**4,966,250**
Solid Waste					
Number of customers (residential and commercial)	**30,680**	**31,173**	**32,044**	**32,621**	**33,049**
MSW Landfilled (tons)	**136,024**	**160,378**	**140,284**	**149,930**	**164,436**
Recycling collections (tons)	**24,248**	**44,540**	**50,246**	**73,912**	**86,887**

(continued on the following page)

Source: Various city departments

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2013**	**2014**	**2015**	**2016**	**2017**
Public Safety					
Police					
Calls for service	**81,084**	**83,704**	**84,434**	**86,399**	**87,122**
Traffic citations issued	**30,166**	**27,160**	**22,022**	**20,207**	**22,323**
Fire					
Fire calls for service	**3,845**	**4,183**	**3,933**	**4,511**	**4,651**
EMS calls for service	**7,717**	**7,977**	**8,079**	**8,943**	**9,687**
Inspections (Businesses)	**4,366**	**4,830**	**4,066**	**4,361**	**3,988**
Animal Services					
Animals sheltered	**5,420**	**5,072**	**4,876**	**5,032**	**4,944**
Animals adopted, transferred, or returned	**4,209**	**3,895**	**3,870**	**4,468**	**4,203**
Public Works					
Street repaving (lane miles)	**10.26**	**25.59**	**18.21**	**25.69**	**28.36**
Pot holes repaired	**7,227**	**8,996**	**11,872**	**15,254**	**16,972**
Cutouts base failures (square feet)	**114,448**	**72,098**	**99,085**	**152,002**	**95,601**
Crack seal maintenance (linear feet)	**155,838**	**77,451**	**59,115**	**37,828**	**119,611**
Parks and Recreation					
Attendance					
Leisure Services	**909,395**	**1,060,988**	**967,132**	**1,007,102**	**1,082,246**
Water Park	**215,605**	**209,406**	**218,232**	**224,893**	**232,527**
Total Acres Maintained	**2,272**	**2,425**	**2,469**	**2,511**	**2,206**
Water					
Number of customers	**31,837**	**32,405**	**33,465**	**34,198**	**34,714**
Annual finished water production (in thousand gallons)	**6,827,186**	**6,155,724**	**6,355,608**	**6,301,333**	**6,368,582**
Wastewater					
Number of customers	**30,103**	**30,562**	**31,243**	**32,077**	**32,618**
Annual wastewater discharge (in thousand gallons)	**4,943,270**	**4,926,080**	**5,834,100**	**6,111,680**	**5,175,571**
Solid Waste					
Number of customers (residential and commercial)	**34,003**	**36,593**	**37,540**	**39,806**	**41,219**
MSW Landfilled (tons)	**176,076**	**203,928**	**227,859**	**251,305**	**268,000**
Recycling collections (tons)	**96,055**	**87,655**	**81,558**	**113,743**	**117,155**

(concluded)

Source: Various city departments

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2008**	**2009**	**2010**	**2011**	**2012**
Public safety					
Police					
Police stations	1	1	1	1	1
Police patrol units	147	149	149	143	139
Fire					
Fire stations	7	7	7	7	7
Emergency vehicles	24	26	30	30	30
Animal services					
Animals shelters	1	1	1	1	1
Public works					
Lane miles added per year	10.10	14.79	41.77	1.56	2.45
Streetlights	7,011	7,015	7,016	6,996	6,987
Parks and recreation					
Parks	34	34	34	34	34
Parks and open spaces acreage	1,292	1,438	1,341	1,332	1,431
Recreation centers	12	12	12	12	12
Water					
Water mains (miles)	533	550	558	560	565
Raw water (in thousand gallons)	6,694,734	6,471,258	6,416,086	7,572,149	7,013,351
Wastewater					
Wastewater mains (miles)	481	488	495	496	501
Maximum daily capacity (in million gallons)	21	25	25	25	25
Solid waste					
Landfills	1	1	1	1	1

(continued on the following page)

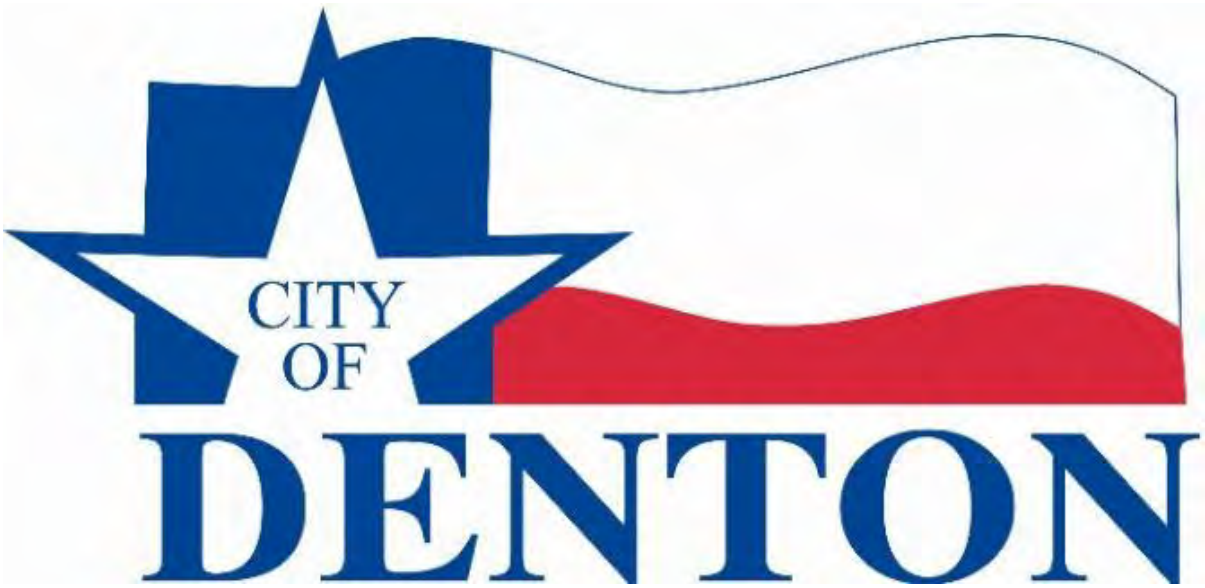
Source: Various city departments

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2013**	**2014**	**2015**	**2016**	**2017**
Public safety					
Police					
Police stations	1	1	1	1	1
Police patrol units	137	138	137	141	147
Fire					
Fire stations	7	7	7	7	7
Emergency vehicles	31	31	32	36	36
Animal services					
Animals shelters	1	1	1	1	1
Public works					
Lane miles added per year	12.00	12.20	5.83	8.11	22.45
Streetlights	7,020	7,067	7,164	7,233	7,414
Parks and recreation					
Parks	34	34	34	34	34
Parks and open spaces acreage	1,461	1,783	1,783	2,284	2,284
Recreation centers	12	12	12	12	12
Water					
Water mains (miles)	572	592	604	618	626
Raw water (in thousand gallons)	6,776,717	6,195,624	6,493,457	6,182,450	6,232,032
Wastewater					
Wastewater mains (miles)	509	513	516	521	526
Maximum daily capacity (in million gallons)	25	25	25	25	25
Solid waste					
Landfills	1	1	1	1	1

(concluded)

Source: Various city departments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CITY OF DENTON, TEXAS **Exhibit XXXIII**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 2,497,223	$ 2,497,223	$ 2,190,438	$ 306,785
Materials and Supplies	39,900	29,900	76,097	(46,197)
Maintenance and Repairs	30,100	30,100	32,365	(2,265)
Insurance	19,236	19,236	6,321	12,915
Miscellaneous	51,775	50,175	42,500	7,675
Operations, Services	156,656	166,656	180,550	(13,894)
Transfers - Interfund	132,907	132,907	132,907	-
City Manager's Office	2,927,797	2,926,197	2,661,178	265,019
Personal Service	283,236	283,236	265,122	18,114
Materials and Supplies	1,000	1,000	4,532	(3,532)
Maintenance and Repairs	1,350	1,350	-	1,350
Insurance	3,416	3,416	1,122	2,294
Miscellaneous	500	500	956	(456)
Operations, Services	16,401	16,401	4,865	11,536
Transfers - Interfund	25,208	25,208	25,208	-
Cable Television	331,111	331,111	301,805	29,306
Personal Service	-	67,917	103,486	(35,569)
Materials and Supplies	-	3,120	4,993	(1,873)
Operations, Services	175,000	103,963	29,060	74,903
Internal Audit	175,000	175,000	137,539	37,461
Personal Service	302,188	302,188	306,407	(4,219)
Materials and Supplies	27,160	27,160	14,951	12,209
Insurance	3,055	3,055	1,004	2,051
Operations, Services	122,401	122,401	117,607	4,794
Transfers - Interfund	17,410	17,410	17,410	-
Public Communications	472,214	472,214	457,379	14,835
Personal Service	1,128,495	1,128,495	1,117,319	11,176
Materials and Supplies	31,150	31,150	22,263	8,887
Maintenance and Repairs	500	500	312	188
Insurance	16,275	16,275	5,348	10,927
Miscellaneous	60,873	60,873	45,098	15,775
Operations, Services	384,762	371,896	293,006	78,890
Transfers - Interfund	84,530	97,396	97,396	-
Human Resources	1,706,585	1,706,585	1,580,742	125,843
Personal Service	1,946,325	1,946,325	1,796,679	149,646
Materials and Supplies	56,903	56,903	54,266	2,637
Insurance	12,844	12,844	4,221	8,623
Operations, Services	202,615	202,615	176,976	25,639
Transfers - Interfund	83,451	83,451	83,451	-
Legal Administration	$ 2,302,138	$ 2,302,138	$ 2,115,593	$ 186,545

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIII**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 375,883	$ 375,883	$ 327,350	$ 48,533
Materials and Supplies	4,943	4,943	2,721	2,222
Insurance	4,001	4,001	1,315	2,686
Operations, Services	7,083	7,083	6,333	750
Transfers - Interfund	44,158	44,158	44,158	-
Municipal Judge	436,068	436,068	381,877	54,191
Personal Service	2,245,902	2,006,650	1,789,500	217,150
Materials and Supplies	54,553	54,553	77,465	(22,912)
Insurance	22,265	22,265	7,317	14,948
Miscellaneous	43,181	40,865	8,265	32,600
Operations, Services	148,600	570,681	560,369	10,312
Transfers - Interfund	326,068	653,512	625,320	28,192
Planning	2,840,569	3,348,526	3,068,236	280,290
Personal Service	2,479,404	2,479,404	2,284,385	195,019
Materials and Supplies	61,804	49,007	58,345	(9,338)
Maintenance and Repairs	8,434	672	622	50
Insurance	36,219	36,219	11,902	24,317
Miscellaneous	-	-	28	(28)
Operations, Services	80,610	78,212	174,913	(96,701)
Transfers - Interfund	328,297	328,297	328,297	-
Building Inspections	2,994,768	2,971,811	2,858,492	113,319
Personal Service	200,885	200,885	197,274	3,611
Materials and Supplies	240,845	238,672	149,480	89,192
Maintenance and Repairs	3,000	3,000	2,609	391
Insurance	1,800	1,800	592	1,208
Operations, Services	4,040	6,213	55,316	(49,103)
Transfers - Interfund	19,750	19,750	19,750	-
Reprographics	470,320	470,320	425,021	45,299
Personal Service	355,305	355,305	138,836	216,469
Materials and Supplies	2,950	2,950	628	2,322
Insurance	3,588	3,588	1,180	2,408
Miscellaneous	250	250	-	250
Operations, Services	14,577	14,577	2,341	12,236
Transfers - Interfund	25,719	25,719	25,719	-
Gas Well Review	402,389	402,389	168,704	233,685
Personal Service	1,130,120	1,130,120	1,041,551	88,569
Materials and Supplies	48,100	48,100	39,949	8,151
Insurance	82,495	82,495	27,110	55,385
Miscellaneous	300	300	-	300
Operations, Services	485,485	485,485	410,276	75,209
Transfers - Interfund	110,604	110,604	110,604	-
Community Improvement	$ 1,857,104	$ 1,857,104	$ 1,629,490	$ 227,614

(continued on the following page)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 1,139,096	$ 1,139,096	$ 1,105,850	$ 33,246
Materials and Supplies	43,900	43,900	35,468	8,432
Insurance	15,664	15,664	5,148	10,516
Miscellaneous	5,300	5,300	1,147	4,153
Operations, Services	64,875	64,875	26,102	38,773
Transfers - Interfund	116,768	116,768	116,768	-
Municipal Court	1,385,603	1,385,603	1,290,483	95,120
Personal Service	2,569,493	2,569,493	2,531,541	37,952
Materials and Supplies	84,003	84,003	60,220	23,783
Maintenance and Repairs	675	675	1,567	(892)
Insurance	21,974	21,974	7,222	14,752
Miscellaneous	1,415	1,415	1,415	-
Operations, Services	53,640	53,640	59,871	(6,231)
Transfers - Interfund	149,860	149,860	149,860	-
Finance	2,881,060	2,881,060	2,811,696	69,364
Personal Service	703,036	638,036	625,099	12,937
Materials and Supplies	38,868	38,868	29,260	9,608
Insurance	6,205	6,205	2,039	4,166
Miscellaneous	189,947	254,947	318,714	(63,767)
Operations, Services	2,562,049	2,562,049	2,864,174	(302,125)
Transfers - Interfund	37,498	37,498	37,498	-
Economic Development	3,537,603	3,537,603	3,876,784	(339,181)
Personal Service	8,201,710	8,183,375	7,538,384	644,991
Materials and Supplies	869,438	872,938	707,444	165,494
Maintenance and Repairs	864,025	848,337	747,694	100,643
Insurance	164,021	164,021	53,902	110,119
Miscellaneous	-	-	982	(982)
Operations, Services	2,346,447	2,222,591	2,207,109	15,482
Transfers - Interfund	708,528	1,237,907	1,207,222	30,685
Fixed Assets	-	-	14,194	(14,194)
Parks & Recreation	13,154,169	13,529,169	12,476,931	1,052,238
Personal Service	1,496,774	1,496,774	1,496,730	44
Materials and Supplies	43,175	43,175	48,566	(5,391)
Maintenance and Repairs	1,013,246	904,272	878,577	25,695
Insurance	21,627	21,627	7,107	14,520
Miscellaneous	1,100	1,100	2,179	(1,079)
Operations, Services	1,296,334	1,154,334	1,133,458	20,876
Transfers - Interfund	154,131	405,105	405,104	1
Fixed Assets	-	-	39,598	(39,598)
Facilities Management	4,026,387	4,026,387	4,011,319	15,068
Personal Service	3,667,405	3,667,405	3,558,796	108,609
Materials and Supplies	155,003	154,877	144,655	10,222
Maintenance and Repairs	66,526	65,626	63,462	2,164
Insurance	70,706	70,706	23,236	47,470
Operations, Services	454,576	455,055	434,209	20,846
Transfers - Interfund	1,031,055	1,031,055	1,031,055	-
Fixed Assets	455,000	455,547	455,505	42
Library	$ 5,900,271	$ 5,900,271	$ 5,710,918	$ 189,353

(continued on the following page)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

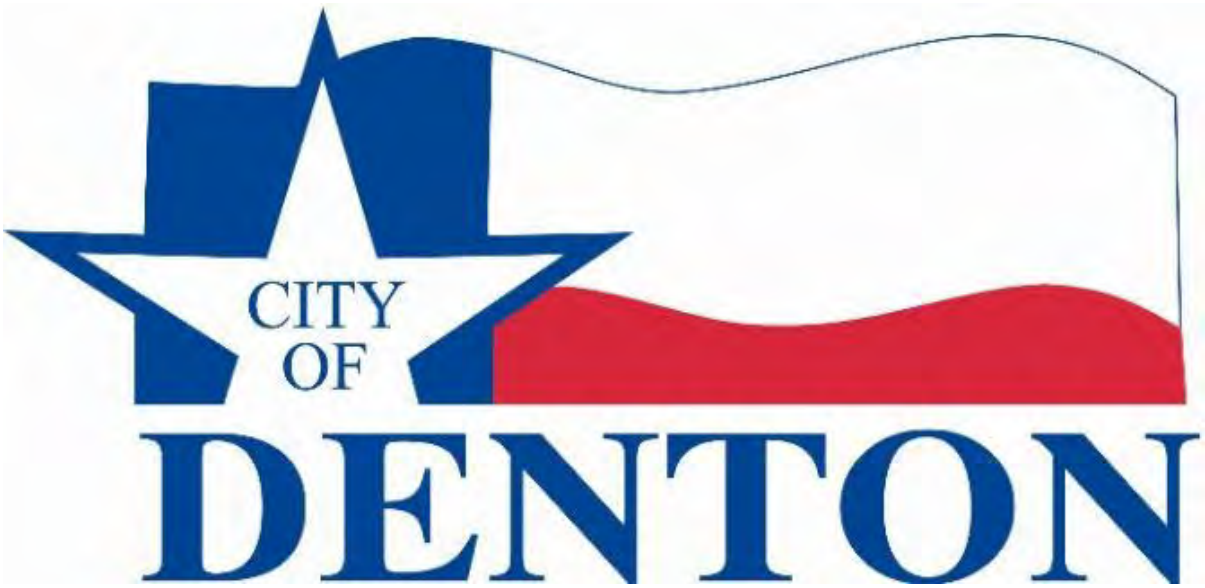
	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 279,245	$ 279,245	$ 287,529	$ (8,284)
Materials and Supplies	13,900	14,500	4,891	9,609
Maintenance and Repairs	300	300	-	300
Insurance	1,927	1,927	634	1,293
Miscellaneous	4,900	3,763	3,489	274
Operations, Services	180,497	181,034	171,793	9,241
Transfers - Interfund	10,517	10,517	10,517	-
Transportation Operations	491,286	491,286	478,853	12,433
Personal Service	960,332	960,332	827,144	133,188
Materials and Supplies	15,000	15,000	17,350	(2,350)
Maintenance and Repairs	645,327	645,327	636,640	8,687
Insurance	13,803	13,803	4,536	9,267
Miscellaneous	2,200	2,200	1,954	246
Operations, Services	150,854	150,854	135,011	15,843
Transfers - Interfund	297,447	297,447	298,107	(660)
Fixed Assets	-	-	10,690	(10,690)
Traffic Operations	2,084,963	2,084,963	1,931,432	153,531
Materials and Supplies	-	-	14,169	(14,169)
Operations, Services	735,000	735,000	773,272	(38,272)
Street Lighting	735,000	735,000	787,441	(52,441)
Personal Service	25,964,030	25,964,030	25,387,755	576,275
Materials and Supplies	302,339	303,139	339,099	(35,960)
Maintenance and Repairs	186,650	186,650	191,608	(4,958)
Insurance	301,604	301,604	99,116	202,488
Miscellaneous	105,862	105,862	105,755	107
Operations, Services	845,506	832,506	966,672	(134,166)
Transfers - Interfund	2,150,120	2,163,120	2,163,120	-
Police	29,856,111	29,856,911	29,253,125	603,786
Personal Service	907,734	907,734	815,617	92,117
Materials and Supplies	51,134	51,134	46,550	4,584
Maintenance and Repairs	20,900	20,900	19,522	1,378
Insurance	19,239	19,239	6,323	12,916
Operations, Services	408,036	408,036	427,231	(19,195)
Transfers - Interfund	92,733	92,733	92,733	-
Animal Services	1,499,776	1,499,776	1,407,976	91,800
Personal Service	23,721,567	23,721,567	23,018,428	703,139
Materials and Supplies	589,403	521,184	479,273	41,911
Maintenance and Repairs	276,000	276,800	254,912	21,888
Insurance	232,931	232,931	76,547	156,384
Miscellaneous	77,485	136,565	75,383	61,182
Operations, Services	1,175,638	1,196,638	1,232,159	(35,521)
Transfers - Interfund	1,159,028	1,295,407	1,295,407	0
Fixed Assets	162,508	94,348	60,601	33,747
Fire	$ 27,394,560	$ 27,475,440	$ 26,492,710	$ 982,730

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIII**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (concluded)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 278,230	$ 278,230	$ 280,271	$ (2,041)
Materials and Supplies	1,750	1,750	1,750	-
Insurance	2,424	2,424	797	1,627
Miscellaneous	280,000	280,000	254,496	25,504
Operations, Services	3,789	3,789	3,485	304
Transfers - Interfund	26,265	26,265	26,265	-
Agency Contributions	592,458	592,458	567,064	25,394
Personal Service	(679,976)	(813,556)	31,751	(845,307)
Materials and Supplies	40,000	40,000	40,081	(81)
Maintenance and Repairs	3,200	3,200	19,033	(15,833)
Miscellaneous	224,250	245,250	211,274	33,976
Operations, Services	2,158,125	1,705,625	1,657,974	47,651
Transfers - Interfund	2,233,021	6,438,194	6,320,403	117,791
Miscellaneous/Finance	3,978,620	7,618,713	8,280,516	(661,803)
Personal Service	82,153,642	81,765,392	79,063,242	2,702,150
Materials and Supplies	2,817,221	2,731,926	2,474,466	257,460
Maintenance and Repairs	3,120,233	2,987,709	2,848,923	138,786
Insurance	1,077,319	1,077,319	354,039	723,280
Miscellaneous	1,049,338	1,189,365	1,073,635	115,730
Operations, Services	14,233,596	13,872,209	14,104,132	(231,923)
Transfers - Interfund	9,365,073	14,840,288	14,664,279	176,009
Fixed Assets	617,508	549,895	580,588	(30,693)
TOTAL GENERAL FUND	$ 114,433,930	$ 119,014,103	$ 115,163,304	$ 3,850,799

(concluded)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